Towards A New System of Community Wealth

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DREXEL UNIVERSITY
Nowak Metro Finance Lab
Lindy Institute for Urban Innovation

BLUEPRINTLOCAL

ACCELERATOR FOR AMERICA

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ACKNOWLEDGEMENTS

DREXEL UNIVERSITY NOWAK METRO FINANCE LAB

The Nowak Metro Finance Lab was formed by Drexel University in July 2018. It is focused on helping cities find new ways to "finance the inclusive city" by making sustained investments in innovation, infrastructure, affordable housing, quality places, and the schooling and skilling of children and young adults. It is an initiative of Drexel University's Lindy Institute for Urban Innovation.

ACCELERATOR FOR AMERICA

Accelerator for America is a non-profit organization created by Los Angeles Mayor Eric Garcetti in November 2017. It seeks to provide strategic support to the best local initiatives to strengthen people's economic security, specifically those initiatives that connect people with existing jobs, create new opportunities and foster infrastructure development.

BLUEPRINT LOCAL

Blueprint Local aims to build community wealth in targeted markets across America. Blueprint Local's national platform deploys a whole neighborhood approach in targeted communities, seeking to align private capital with community needs. Blueprint Local's platform translates between national capital and local needs; business and market realities and community impact; and the physical infrastructure in communities and the entrepreneurs and businesses that build wealth in the same neighborhoods.

We are grateful to the Arthur M. Blank Family Foundation, the Ewing Marion Kauffman Foundation, and the Mastercard Center for Inclusive Growth for their generous support of this work.

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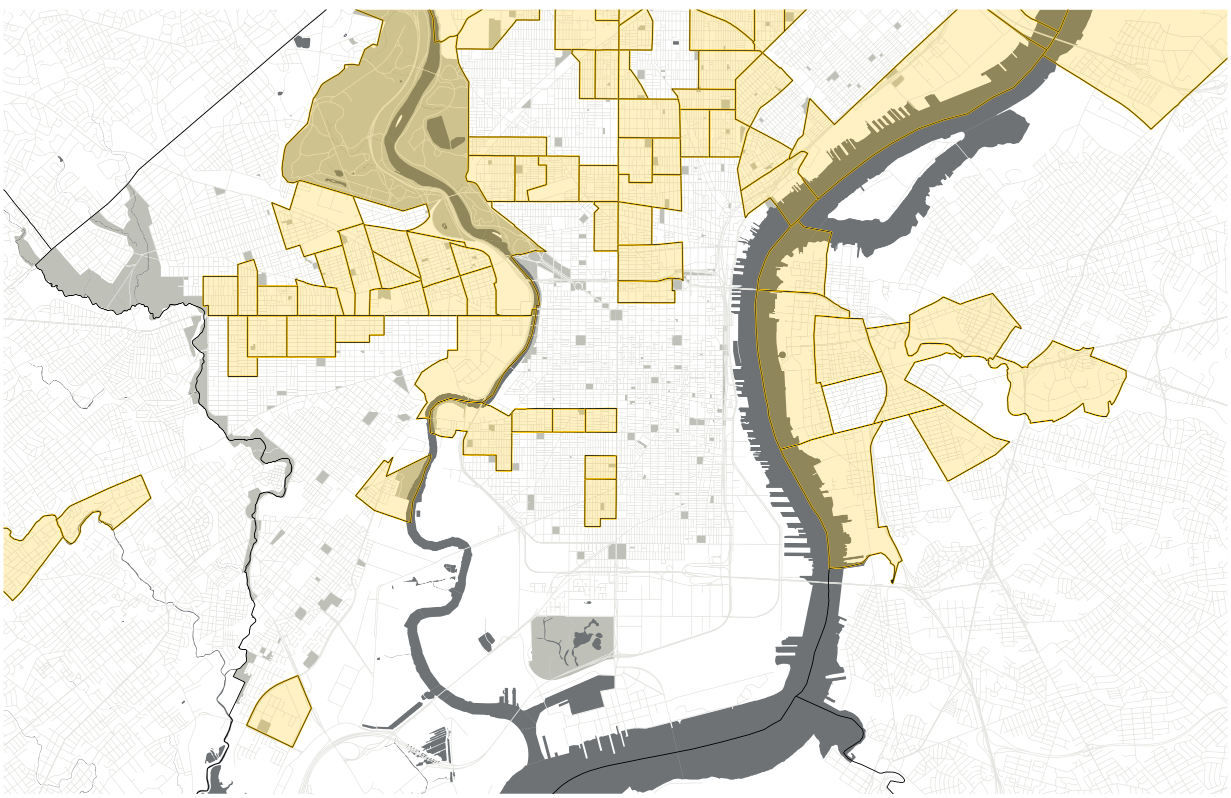
EXECUTIVE SUMMARY

The United States is witnessing a radical shift—a quiet revolution—in its approach to the revitalization of distressed urban communities. For almost sixty years, the U.S. has dutifully delivered a top-down "Community Development" system, narrowly focusing on producing low-income rental housing with a mix of federal tax incentives, federally encouraged bank debt and direct federal subsidies. Over the past decade, a new system has begun to emerge, focused on developing people rather than buildings, with a blend of public, private, civic and community leadership and capital. This system, which we label "Community Wealth," is being raised bottom up, and is fundamentally committed to upgrading skills, growing entrepreneurs, increasing incomes and building assets. If codified and routinized, this system has the potential to bring hundreds of billions of market and civic capital off the sidelines into productive use and drive transformative outcomes for disadvantaged communities across the country.

The revolution is precipitated by a complex mix of market and civic dynamics, the evolving practice of the community development movement, and the inspiring work of a new class of investors and intermediaries. Income inequality today is the largest it has been since the government began measuring it in 1967. Most urban neighborhoods, even those blocks away from reviving downtowns and robust waterfronts and university areas, are characterized by high poverty, low social mobility, weak market demand and growing income, health, education, and wealth disparities. Urban communities are also past and present victims of institutional racism. They sit on the "wrong side of the color line;" access to quality capital and mentoring to help residents purchase homes and build businesses remains scarce while parasitic capital for dollar stores, payday lenders and check cashers is plentiful.

That's the bad news. The good news is that across America we are seeing local, entrepreneurial, and often small efforts that are showing evidence of promise. Key players in the existing community development system are broadening their scope to go beyond housing and innovate on business demand as well as financial practices and instruments. At the same time, a new class of investors is entering the community space, focused on growing entrepreneurs and building strong local economies. Both the evolution of the old system and invention of the new have been accelerated by the latest federal tool, Opportunity Zones.



Opportunity Zones in central Philadelphia and surrounding region.

This paper represents our initial effort to capture the transformation underway. We define Community Wealth as "a broad-based effort to build equity for low-income residents of disadvantaged communities." Going deeper, Community Wealth aims to build equity by:

- Growing the individual incomes and assets of neighborhood residents by equipping them with marketable skills and enabling full or partial ownership of homes, commercial properties, and businesses;
- Growing the collective assets of neighborhood residents by endowing locally-run organizations with the ability to create, capture, and deploy value for local priorities and purposes;
- Improving access to private capital that has high standards, fair terms, a long-term commitment to the neighborhood, and reasonable expectations around returns and impact; and
- Enhancing inclusion by bringing fairness and transparency to neighborhood revitalization so that community voices are heard and respected and trust is restored, and local residents have the opportunity to participate in wealth that is created.

In this paper, we seek to specify the systemic changes that need to occur in policy, practice and institutions if this aspirational definition is to be achieved and its potential fully realized. We identify seven strategies to: (1) uncover community assets and market dynamics; (2) enhance local business demand; (3) strengthen neighborhood nodes; (4) expand businesses owned by people of color: (5) create access to "one-pocket" capital; (6); share value creation; and (7) support next-generation institutions.

No one sector or level of society is sufficiently grounded or interdisciplinary enough to deliver the integrated transformation that is required. Rather, a mix of actors—existing community development entities, philanthropies, national financial institutions, the federal government, local governments, communities themselves—must spearhead new thinking and action around capacity, skills building, homeownership, entrepreneurship, and the local economy to replace an overly prescriptive and compartmentalized system of community development with a multi-layered and holistic system of community wealth.

Community Wealth is part observation, part aspiration and all provocation. The United States needs radical change at all levels and across all sectors if we are to alter fundamentally the life trajectory of disadvantaged residents and disadvantaged communities.

52nd Street Station in Philadelphia. The transit stop and the adjacent neighborhoods are within one of the City's Opportunity Zones.

"No one can say when the unwinding began… when the coil that held Americans together in its sometime stifling grip gave way…the unwinding is nothing new. There have been unwindings every generation or two: …each decline brought renewal, each implosion created energy, out of each unwinding came a new cohesion."

—George Packer, The Unwinding

"To seek 'causes' of poverty is to enter an intellectual dead end because poverty has no causes. Only prosperity has causes."

"We expect too much of new buildings, and too little of ourselves."

—Jane Jacobs, The Death and Life of Great American Cities

INTRODUCTION

The United States is witnessing a quiet revolution in its approach to revitalizing distressed urban communities. At a national level, the country is in the middle of extreme disruption: the financial services system, government institutions, and even social norms seem to be disintegrating simultaneously. Washington is unable to govern, and the country's national direction is rudderless. Yet at a local level, the story is much more hopeful: individuals and small groups are coming together to show a promising path forward. The most promising solutions across the country in government are coming from mayors and local government officials, and entrepreneurs, investors, and community leaders of all political stripes are charting a more positive way forward.

This quiet revolution is specifically playing out in how American communities think about investing in their future. For almost sixty years, the conversation around how to invest in American communities, specifically our poorest, has focused on a system that we call "Community Development". Foundations, banks, and government officials have dutifully delivered this top-down "Community Development" system, narrowly focusing on producing low-income rental housing with a mix of federal tax incentives, federally encouraged bank debt and direct federal subsidies. This system has focused on funding buildings as the primary mechanism for regenerating communities, and has delivered tens of billions of dollars through programs and projects each year to distressed American communities.

While there has been some constructive impact, the system of Community Development has largely failed to turn around overall trends. Since 1947, income for wealthy Americans—families at the 95th percentile—has generally risen. Poor families—those in the 20th percentile—have seen their incomes stagnate. [i] Income inequality today is the largest it has been since the government began measuring it in 1967. [ii] Raj Chetty and others have shown that absolute mobility—the prospect that children will earn more than their parents—has declined sharply over the past half century. [iii]

To reverse these trends, radical change is needed, at all levels. While the federal government drifts, local institutions and leaders are moving forward. In the past decade, a new system has slowly begun to emerge, focused on developing people rather than buildings, with a blend of public, private, civic and community leadership and capital. This system, which we label "Community Wealth," [iv] is being raised bottom up, and is fundamentally committed to upgrading skills, growing entrepreneurs, increasing incomes and building assets. If codified and routinized, this system has the potential to move not tens of billions of dollars but hundreds of billions of dollars of market and civic capital off the sidelines into productive use and drive transformative outcomes for disadvantaged communities across the country.

This quiet revolution has penetrated American communities in three ways:

1. It is disturbing market and civic dynamics, moving talent, capital, and ownership from the national level (where the environment no longer allows effective leadership) to the local level, where mayors and local government are coming together with business and community leaders in unexpected ways;
2. It is encouraging forward-thinking leaders in the old system of community development to re-tool and upgrade, while bringing in an inspiring new class of investors and intermediaries, and;
3. It is bridging a divide from what we call a "two-pocket" system, where business and philanthropy largely exist in separate spheres, to a "one-pocket" system, where they work in conjunction to accomplish similar goals.

This new system is most obvious in urban neighborhoods. Most urban neighborhoods, even those blocks away from reviving downtowns and robust waterfronts and university areas, are characterized by high poverty, low social mobility, weak market demand and growing income, health, education, and wealth disparities. These communities sit on the "wrong side of the color line" as past and present victims of institutional racism. Residents often cannot access capital or the right social networks to purchase homes and build businesses, while the capital that does go into these neighborhoods is often parasitic, funding tens of thousands of dollar stores, payday lenders, and check cashers. While the poorest 10 percent of American families have gone from having no wealth on average in 1963 to being $1,000 in debt in 2016, [v] large companies omnipresent in poor neighborhoods (like Dollar Tree, which earned $22.8 billion in revenue in fiscal year 2018) have thrived. [vi]

These broad forces and the extractive nature of market capital have simply overwhelmed the narrow scope and limited focus of community development. In places like Baltimore's Sandtown-Winchester neighborhood, where Freddie Gray was killed and where over $130 million was invested in affordable housing in recent decades, jobs are scarce and over half of households still earn less than $25,000 a year.[vii]

That's the bad news. The good news is that across America we are seeing local, entrepreneurial, and often small efforts that are showing evidence of promise.

Many of the needed changes in the new system of Community Wealth are happening through evolutions in organizations that were also key leaders in the Community Development system.

We will talk about how investment in communities is shifting from a narrow focus on affordable rental housing to an interdisciplinary focus on multiple types of assets in the same neighborhood. Living Cities, for example, started as a consortium of philanthropies narrowly focused on supporting national housing intermediaries, but has expanded its purview to specifically focus on African-American and Latino entrepreneurs, building wealth in American cities. And respected national community development institutions such as LISC and Enterprise Community Partners are experimenting with new ways of supporting local entrepreneurs and community-serving institutions like charter schools and child care providers.

We'll also talk about how foundations, endowments, and pension funds, many of whom are tasked as fiduciaries with responsibilities to economically distressed communities, need to shift from a "two pocket" to a "one pocket" mindset. Some pockets of the investment world are already doing this: Pathbreaking philanthropies like the New York City-based Heron Foundation are using their entire corpus to advance missions while others like the Buffalo- and Detroit-based Ralph C. Wilson Foundation are making community transforming investments as part of a deliberate 12-year spend-down strategy. Still other philanthropies like the Detroit-based Kresge Foundation are using innovative guarantee mechanisms to leverage private equity investment that is socially motivated and obligated. The growing "impact investing" movement is one effort, still early in its implementation.

In addition to these evolving longtime players, a new class of investors is entering the community space, focused on growing entrepreneurship and building strong local economies. We are seeing corporations and philanthropies in cities like Cincinnati, Erie, Philadelphia and Saint Louis create institutions with the capacity and patient capital necessary to drive transformative change that is locally authentic and inclusive in operation and outcome. We are seeing places like Austin, Baltimore, and Louisville employ bottom-up efforts to invest in "street corners" of interdisciplinary activity, rather than deploy top-down, centrally-driven dollars. And we are seeing networks of mayors, elected officials, corporate CEOs, philanthropic heads, university presidents and community advocates practice "new localism," [viii] solving problems in novel and replicable ways while the national conversation and federal government remains mired in ideological rancor.

Before and after photos of the northwest corner of 12th and Vine Streets in Over-the-Rhine, a neighborhood north of downtown Cincinnati. The Cincinnati Center City Development Corporation (3CDC) leads the transformative and inclusive neighborhood revitalization efforts.

The Forcing Event of Opportunity Zones

Both the evolution of the old system and invention of the new have been accelerated by the latest federal tool, Opportunity Zones. No federal tool itself is enough to change or create a market. The Opportunity Zone legislation's largest impact has been its signature focus on the radically shifting landscape of how America's investors put capital into American communities.

The Opportunity Zone legislation has accelerated the Community Wealth revolution in three ways:

1. **Equity (vs. debt or grants):** The Opportunity Zone legislation is an equity-focused tool, changing the nature of capital interested in investing in communities. Equity investment increases the opportunities for the creation of meaningful wealth, both for investors and for communities.
2. **Interdisciplinary (vs. a specific program or project):** Second, the Opportunity Zone incentive is flexible, enabling investments in a broad array of community-enhancing projects, including housing, commercial real estate, operating businesses and even infrastructure. Prior community development efforts have exclusively been focused on housing; the Opportunity Zone legislation has a bigger canvas.
3. **Long-term:** Finally, the Opportunity Zone incentive requires a ten-year hold for any investment to realize the maximum tax incentive benefit. Meaningful changes take time and the ten-year horizon (versus the 3- to 5-year time horizons that many investors look to today) enables a degree of long-term thinking and action rare in the marketplace.

The Opportunity Zone legislation is also distinctive because it was developed not by a traditional Washington think tank, but by a next-generation coalition of business leaders and substantial bipartisan support, sponsored in the Senate by Tim Scott (R-SC) and Cory Booker (D-NJ). John Lettieri, the CEO of the Economic Innovation Group, one of the bill's early champions, frequently says that Opportunity Zones are a "market, not a program."

The incentive sparked and accelerated the Community Wealth revolution by creating a focusing event for potentially hundreds of billions in transactions, rather than a set annual line item that numbers in the millions. This tax incentive is an imperfect tool, but it provides a looking glass to focus on what's going wrong with our economy at the neighborhood level (too much top-down capital flowing to absentee landlords and retailers) and what's going right (a constellation of local leaders building a new system of Community Wealth).

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This paper represents our effort to specify the systemic changes that need to occur in policy, practice and institutions if this aspirational definition is to be achieved and its potential fully realized. No one sector or level of society is sufficiently grounded or interdisciplinary enough to deliver the integrated transformation that is required.

Rather, a mix of actors—local institutions, national financial institutions, the federal government, communities themselves—must spearhead new thinking and action around capacity, skills building, homeownership, entrepreneurship, and the local economy to replace an overly prescriptive and compartmentalized system of community development with a multi-layered and holistic system of community wealth. It is distinctive of the new system of Community Wealth that its most active government practitioners and champions are not Presidential candidates and Senators, but mayors, county executives, and an eclectic mix of community stakeholders.

Change of this magnitude demands intentional and purposeful action along multiple fronts, which we explore throughout the paper:

FROM BIG AND NATIONAL TO SMALL AND LOCAL

In the last generation of trying to solve economic issues, there has been a de-emphasis on the American neighborhood and a focus on large, one-size-fits-all "silver bullets"—products and ideas that can work anywhere. The government and philanthropic sectors have largely focused on delivering as many units of low-income rental housing as possible. And the private sector has largely ignored the distinctive characteristics and potential of poor neighborhoods and encouraged mergers, monopolization, and formula retail that is often parasitic towards the producers and entrepreneurs that create wealth in poor and middle-class communities.

This has led America's poorer neighborhoods largely to be recipients of aid and top-down investment, often more akin to the approach used in emerging markets rather than mature economies. The outcome has been a tremendous concentration of wealth and power in a few hands, with harmful democratic effects across the economy.

A return to America's intentional focus on organizing policy and the economy at the neighborhood level can lead to more broadly shared prosperity by promoting entrepreneurship and competitiveness rather than optimizing for the success of big companies and programs. We have begun to see the political conversation change in the last few years. Policymakers are bringing a renewed focus on the decline in American dynamism—incredibly, entrepreneurial activity in the U.S. is nearing a 40-year low—as well as a bipartisan focus on the harmful effects of dominant technology platforms and a renewed interest in antitrust to create a more level playing field for all businesses.

From the very first law that the U.S. government passed in 1787—the Northwest Ordinance, which created a level playing field for land ownership in newly created states—the government has worked best when it consistently promoted principles that favored small and local businesses over larger conglomerates and cartels. The Federal Reserve, the U.S. Postal Service, and the placement of military bases are all intentional efforts to promote local economies and regional equity.

The new system of community wealth must do the same.

FROM "TWO-POCKET" TO "ONE-POCKET"

The new system also requires a fundamental rethinking of investment. Today, foundations, pension funds, and institutions like hospitals and universities have what we call a "two-pocket" mentality that separates "what's good for returns" with "what's good for society." This has led to the export of capital from the communities where these institutions originally made their wealth and perversely hollowed out the very communities where they and their stakeholders still reside.

Foundations, endowments, and family offices often separate the corpus of their wealth from the activities that are meaningful to them. For example, in the typical endowment, 95 percent of assets have one goal: to grow as much as possible; only 5 percent annually goes to grantmaking activities. The typical pension fund invests 95 per cent of the assets with a goal of growing the fund's value, and pays out 5% annually in pensions. Even though the foundations care for a particular place, and public pension funds care for the welfare of a community's residents, it may be the case that investments from the 95% actively hurt the people for whom the 5% is designated to help. This creates a sort of cognitive dissonance: foundations in Memphis, pension funds in Wisconsin, anchor institutions in St. Louis, and family offices in Baltimore may actually be doing unintentional harm to the communities where their stakeholders live in an effort to fill a (very understandable) fiduciary role to maximize quarterly earnings.

A "one-pocket" reality could marry private and civic capital and channel the vast stores of local wealth—pension funds, university endowments, corporate balance sheets, and high net worth family investments—back into local communities. This requires a change in mindset from both investors and communities. Communities need to demonstrate how these investments are non-concessionary, and how investors can build wealth over time investing locally. Investors who are based in a community need to consider what balance sheet "skin in the game," not just philanthropic activities, would look like in that community.

FROM DOMAIN-DEPENDENT "PRODUCT TYPE" FOCUS (HOUSING, STARTUPS) TO AN INTERDISCIPLINARY "NEIGHBORHOOD" FOCUS

Communities require an evolution from intermediaries that are federal program-driven and domain-dependent. Today's community organizations are oriented around "what the big guys will fund." They receive allocations made by major foundations or federal programs for one product type, whether it is housing or small business loans. Activists, business owners, and entrepreneurs alike too often are reduced to glorified grant writers rather than community builders.

Community Wealth requires a shift to institutions that are locally-driven, capital allocations that are locally decided, and capital allocators that are interdisciplinary. Ultimately, this shift will—and must—unlock multiple types of capital within one neighborhood. Furthermore, it requires new entities that are able to source investable projects and support entrepreneurs on a continuous basis, as well as cooperative financial structures that enable value appreciation to be captured by the many rather than the few.

This paper will explore how we got here—and how we can solve the crisis we see.

- The first section, "The Crisis (and Hidden Promise) of America's Neighborhoods," will explore the causes of today's devastating status quo in poor neighborhoods.
- The second section, "The History of Community Development," will trace the last sixty years' attempts to address these causes.
- The third section, "Strategies Towards a New System of Community Wealth," will identify seven strategies to get us the outcomes we want: reduce the high cost of being poor, grow resident incomes, catalyze minority-owned businesses and ultimately build community wealth.
- In the final section, "Next Steps for Stakeholders," we will show how the glimmers of hope around the country can be captured, codified, communicated and ultimately scaled into a new system.

In the end, Community Wealth is made for our times. Deeply entrenched spatial disparities demand it. An evolving network of innovators and investors define it. An abundance of motivated (but dormant or misallocated) capital enable it. And a new method of spreading innovation—via local financial, institutional and legal norms rather than top-down federal programs—amplify it. The Community Wealth revolution is here to be seized and scaled.

This paper proposes a new paradigm for building wealth in American communities. The observations within are primarily focused on urban neighborhoods, with special attention given to racial disparities in wealth. At the same time, the conditions in many suburban and rural communities are more similar than different to the situations we describe in urban neighborhoods, and we believe our insights provide a framework that can be translated more broadly. Indeed, we hope to do so ourselves.

Similarly, the paper focuses thematically on the systems oriented around building economies and creating wealth in American communities. Rather than focus on poverty directly, we engage with the factors that shape the lives and economies of residents in communities across the country. Community Wealth is not a silver bullet to solve poverty in America. Lives are shaped significantly by elements outside the scope of this paper, including means-tested support programs and tax policies, participation in high-quality health systems, education and skills-building, and the criminal justice system. Each of these elements dramatically influences individuals' ability to participate in the wealth-building we prescribe. It is our hope that future research will build on, refine, and integrate our framework across these other issue areas.

FROM COMMUNITY DEVELOPMENT TO COMMUNITY WEALTH

COMMUNITY DEVELOPMENT **(OLD SYSTEM)**	***COMMUNITY WEALTH*** **(NEW SYSTEM)**
Chases one-size-fits-all programs and dollars from Washington and Wall Street	*Uncovers the community's own competitive assets and grows them*
Lacks focus on neighborhood economies, failing to counteract the hollowing-out of commercial corridors	*Enhances local business demand and prevents the parasitic economy*
Builds low-income housing in disadvantaged communities, creating affordable rental units	*Strengthens neighborhood nodes into mixed-income areas, creating enough wealth for people to own their homes and companies*
Promotes home-ownership as primary policy incentive	*Expands networks for entrepreneurs to combat systemic racism and disinvestment*
Follows a two-pocket capital apparatus largely financed by a mix of debt and subsidy	*Creates access to one-pocket capital with a blended capital stack*
Lacks ability to swiftly identify and dispose of public and non-profit owned land	*Integrates civic assets into a framework that will create wealth for its citizens*
Undercapitalizes compartmentalized, small-scale public and civic organizations and nonprofits	*Supports holistic, next-generation public, private, and civic institutions, that are largely local*

THE CRISIS (AND HIDDEN PROMISE) OF AMERICAN NEIGHBORHOODS

Shelby Park, Louisville has a history that echoes thousands of neighborhoods across the country.

Shelby Park was one of many neighborhoods in the early 20th century that benefited from significant public and civic investment as a largely agrarian society moved to the cities. Shelby Park was emblematic of national investment in urban neighborhoods. Shelby Park itself, the neighborhood's nucleus, is an Olmsted park, following the tradition of New York's Central Park, Boston's Back Bay, and Washington's Capitol Grounds. The centerpiece of Shelby Park is a Carnegie Library, one of over 2,500 libraries built in neighborhoods across America by philanthropist Andrew Carnegie to make knowledge more democratic and accessible. By the 1950s, the neighborhood was a predominantly middle-class, relatively thriving African-American neighborhood.

African-American residents in Shelby Park were already forced to deal with the segregationist culture of a Southern city, but in the 1960s, urban planning dealt the community an economic death blow. The construction of Interstate 65 and its feeder highways transformed Shelby Park from a dynamic, prosperous neighborhood that was connected to downtown into a pass-through tract cut off from greater economic activity. The primary commercial street, Shelby, was converted to two one-way lanes to help wealthier, white Louisville citizens zip to and from the suburbs more quickly. In just a few years, Shelby Park became a place that people were encouraged to drive through rather than enjoy.

By 2010, Shelby Park was still a majority African-American community, but the dynamics had shifted: between 2000 and 2010 alone, Shelby Park had lost 20 percent of its population; 52 percent of the population was below the poverty line; 26 percent was in the labor force but unemployed; and only 20 percent had a degree from an institution of higher education. [ix] Yet over the last five years, a new model for re-investment has emerged that capitalizes on the neighborhood's assets to create and retain new wealth.

This story of crisis has happened in countless communities across America, and—given the potential already within American neighborhoods—the story of revitalization can too. In this section, we analyze six elements that contribute to the crisis in American neighborhoods before exploring the underlying assets that spark promise.

While every neighborhood is different, nearly every poor neighborhood in the country faces a nasty mixture of six core challenges:

1. Institutional racism: Redlining, interstate injustice, and segregationist policies intentionally exclude many citizens from the economy
2. The parasitic economy: Predatory businesses extract far more wealth from poor neighborhoods than they create
3. Innovation blind spots: Limited access to economic opportunity for entrepreneurs to create new wealth, especially ones who face demographic and geographic barriers
4. Two pocket investment: Bifurcation of economic value from social value. Anchor institutions, when they do engage, largely provide philanthropy at a fraction of the scale of their own private investments.
5. Scale misalignment: Mismatch between local needs and the national funding that largely drives new construction and investment in the neighborhoods
6. Perception disconnects: Translation gaps between residents and investors, leaving residents skeptical of any private capital in the neighborhood, and giving people who control capital the impression that the neighborhood is unlikely to be economically dynamic.

NEIGHBORHOODS IN CRISIS

"We got what we fought for, but we lost what we had."

—Ben Jealous, former CEO of the NAACP

As detailed above, income growth for wealthy Americans have generally experienced rising incomes since 1947, while poor families have seen their incomes stagnate. Recently, inequality has grown fastest in cities where the Great Recession and its tepid recovery hit low-income families hardest, as house-price collapses and declines in local manufacturing industry reduced economic opportunity.[x]

These economic and social challenges are not uniformly distributed across the U.S. landscape. They concentrate in urban neighborhoods. In most U.S. cities, poor neighborhoods are characterized by high property vacancies, collapsed house prices, low business demand, low-quality retail stores, and predatory financial services.

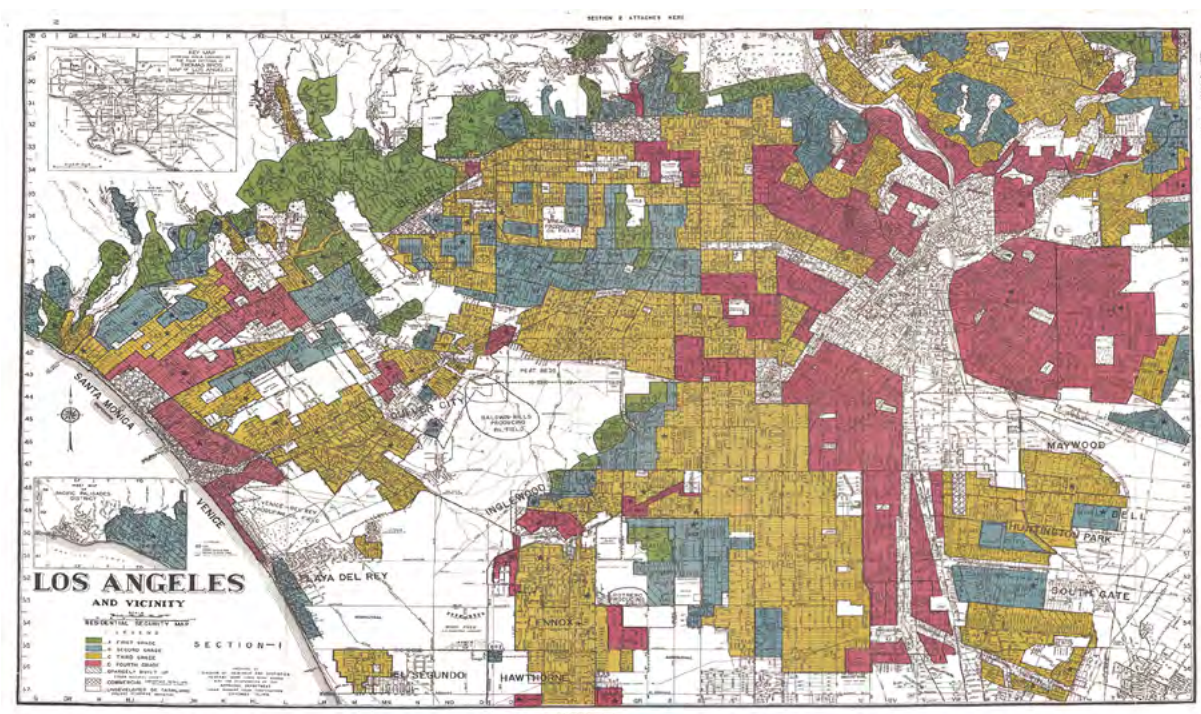
In a few hot markets, the growth of technology firms and restrictive housing policies have triggered gentrification and displacement of low-income residents. More generally, poor neighborhoods are simultaneously areas of disinvestment (with little capital available for home-grown businesses) and conduits for large capital flows (into dollar stores, check cashing services, and payday lenders) that often parasitically extract any wealth that does exist in the neighborhood, without creating quality jobs or opportunities to build equity for local residents.

A drive down any commercial corridor in the vast majority of low-income neighborhoods shows a common pattern: few mainstream banks, many alternative financial services such as payday lenders, and a plethora of low-quality chain stores. Access to quality food and low-cost financial products (e.g., car insurance, mortgage insurance, working capital for small businesses) is appallingly low. In short, it's very expensive to be poor in America.

INSTITUTIONAL RACISM: REDLINING, INTERSTATE INJUSTICE, AND SEGREGATIONIST POLICIES

Poor neighborhoods in this country didn't just become that way. Many neighborhoods lost wealth not through accident, but through a series of intentional political and business decisions.

Nearly 155 years since the end of the Civil War, 55 years since the Civil Rights Act, and 51 years since enactment of the Fair Housing Act, racial disparities in wealth and health remain stark across American neighborhoods, as do the effects of race-based policies. Created in 1933 as part of the New Deal, the Home Owners' Loan Corporation drafted more than 200 color-coded "Residential Security" maps of major American cities to evaluate lending risk, with neighborhoods graded from Type A ("Best" and outlined in green) to Type D ("Hazardous" and outlined in red). Neighborhood scores reflected racial and ethnic composition; as researcher Bruce Mitchell explained, "Anyone who was not northern-European white was considered to be a detraction from the value of the area."[xi] Based on these maps, banks and government development plans refused loans to the primarily black and brown aspiring homeowners and small business entrepreneurs in



1939 Home Owners' Loan Corporation (HOLC) "Residential Security" map illustrating the extent of redlining activities in Los Angeles. Across the country, the maps generally identified poorer neighborhoods and neighborhoods of color as less desirable. Courtesty of Mapping Inequality.

economically distressed areas. Redlining's segregative effects, though officially banned in 1968 through the Fair Housing Act, endure. Today, over half (64 percent) of neighborhoods that were graded as "Hazardous" are majority-minority neighborhoods, while 3 in 4 are low-to-moderate income.[xii]

Beyond influencing banking behavior, government and institutional activity directly segregated American neighborhoods that had been previously integrated and harmed communities of color. For instance, in the 1940s, the Federal Housing Administration provided tax incentives to Metropolitan Life Insurance Company to demolish a racially integrated neighborhood in Manhattan and create a 9,000 unit-apartment complex "for white people only," and, in Richmond, California, funded construction of public housing for shipbuilders under the requirement that the complexes be racially separated in the name of "racial harmony."[xiii]

In the 1950s and 1960s, the development of the interstate highway system cut many middle-class neighborhoods off from economic centers, and white flight moved activity to the suburbs, hollowing out in-town neighborhoods like Shelby Park. Under the framing of urban development or urban renewal, interstate projects cut directly through communities of color. When constructing I-95, officials in Miami selected a route that ran directly through Overtown, a historically black neighborhood, rather than through an old railroad track. 10,000 people were displaced in the creation of a single interchange, and—by the project's completion in the early 1960's—Miami's keystone black community was reduced from 40,000 residents to one quarter of that.[xiv] Even today, health disparities arising from interstate expansion remain stark: along I-70 in Denver's predominantly Latino Swansea/Elyria neighborhood, for instance, life expectancy is 3.5 years lower than elsewhere in the city.

THE PARASITIC ECONOMY: PREDATORY BUSINESSES AND THE EFFECTS OF AN ANTI-COMPETITIVE ECONOMY

"Control of American business is being transferred from local communities to distant cities, where men on the 54th floor with only balance sheets and profit and loss statements before them decide the fate of communities with which they have little or no relationship."

—Justice William O. Douglas,
U.S. vs. Falstaff Brewing Company

Contrary to popular opinion, substantial capital regularly flows through poor American neighborhoods, but it does not serve residents. Rather, predatory businesses that grew through anti-competitive practices dominate street corners and redirect local wealth to increasingly large corporate headquarters, where decisions are made in a faraway office tower that determine the neighborhood's fate.

As a former Consumer Financial Protection Bureau regulator explains, this "monopoly pricing on goods and services turns the disposable income of the many into capital gains, dividends, and executive compensation for the few."[xv] Payday lenders, which have been shown to trap borrowers in high-cost debt and which today make up a $90 billion industry,[xvi] are disproportionately located in African-American neighborhoods,[xvii] while dollar stores concentrate in neighborhoods with "both a greater percentage of households living in poverty and more African American residents" and small towns "battered by corporate consolidation."[xviii] These companies cripple American communities their through business practices and are growing quickly as part of the broader corporate trends towards monopolization that are hollowing out American communities.

> *Although dollar stores sometimes fill a need in places that lack basic retail services, there's growing evidence that these stores are not merely a byproduct of economic distress. They're a cause of it. In small towns and urban neighborhoods alike, dollar stores are leading full-service grocery stores to close. And their strategy of saturating communities with multiple outlets is making it impossible for new grocers and other local businesses to take root and grow.*
>
> *—Marie Donahue and Stacy Mitchell, Institute for Local Self Reliance*

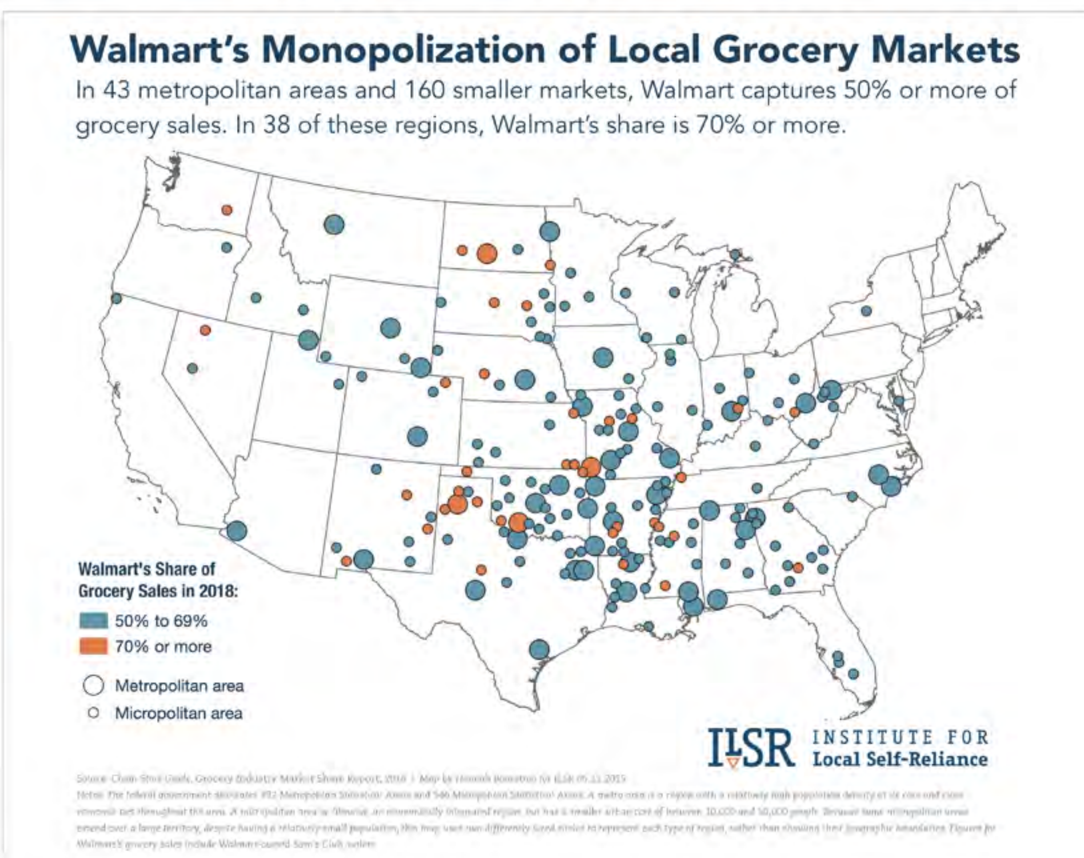
Companies that pay poorly, do not have local ownership, and provide low-quality goods and services extract wealth from communities. They are emblematic of how broader trends in corporate consolidation and anti-competitive practices have decimated smaller businesses, reduced communities of producers into mere consumers, and limited purchasing choices. Researchers estimate that, when a Dollar General opens, local grocers' sales frequently drop by 30 percent, which often causes the stores to close and serves as a negative barometer for other independent businesses in the community.[xix] At Walmart, there is evidence of stores increasing prices in markets with limited competition;[xx] while dollar stores often have low sticker prices, their products frequently cost more per ounce and they rarely carry the fresh vegetables, fruits, or meats provided by full-service grocers. As Morgan State researcher Lawrence Brown describes them, dollar stores are "subprime grocery stores. Black people in redlined communities don't just receive subprime loans, they receive subprime food."[xxi]

Even in instances where consolidation reduces prices for consumers, monopolistic firms depress wages and transfer community wealth to corporate offices. One estimate suggests that reduced corporate competition in the US redirected $14,000 in wages for each of 81 million American workers into corporate profits in 2014 alone.[xxii] Meanwhile, dollar stores' business models extract local wealth; as Kansas State University researcher David Procter explains, "On average there are about 15 employees in these small grocery stores and Dollar General stores might have five employees. Profits from small-town grocery stores are generally going to stay in that town whereas profits made by Dollar General are going to the corporate office (or the endowment or pension plan)."[xxiii]

This "invasive species advancing on compromised ecosystems," as Stacy Mitchell from the Institute for Local Self Reliance describes dollar stores, is growing rapidly. From fewer than 20,000 in 2009, there are now nearly 80,000 existing and planned dollar stores in the United States.[xxiv] Walmart, meanwhile, captures more than half of all grocery sales in nearly a third of smaller markets across the country, and $1 in every $4 Americans spend on groceries; more than the market share of the next five largest supermarkets chains combined (as should be clear, dollar stores are not classified as supermarkets).[xxv]

The explosive growth of Walmart and dollar stores stems from a dramatic shift in US antitrust policy over the last 40 years. Three changes in antitrust policy between the 1970s, when Wal-Mart's growth first accelerated, and the 1990s, when it put a store in every state, enabled Wal-Mart's dominance. First, in the 1970s, the government weakened enforcement of the 1936 Robinson-Patman antitrust law, which had prohibited large chains from coercing suppliers to charge the chains less than smaller competitors. Second, the destruction of Fair-Trade laws in 1975 reduced manufacturers' ability to determine the prices at which chains would sell their products. Finally, in the 1990s, the U.S. Supreme Court eroded predatory pricing protections, functionally enabling large companies to sell products below cost to eliminate their (frequently smaller) competitors.[xxvi] Today's primary dollar store chains, as well, are the product of corporate consolidation: when Dollar Tree bought Family Dollar in 2015, it left only two companies in control of most of the small-store discount market, Dollar Tree and Dollar General. As part of the deal, the FTC required Dollar Tree to divest 300 stores to a private equity firm, but—less than two years later—Dollar General bought those.[xxvii]

Beyond accelerating the growth of stores like Wal-Mart and the dollar store giants, corporate consolidation has



Graphic courtesty of the Institute for Local Self-Reliance depressed the ability of black communities to create wealth through entrepreneurship. As one researcher commented, "what urban decline didn't take away, market consolidation has. We went from owner to retail employee in a generation." In the 1990s, the number of black-owned insurers declined by 68 percent in what Black Enterprise called "a virtual bloodbath" for the black insurance industry.[xxviii]

The same evisceration of black-owned enterprises is occurring across industries. Take meatpacking, for example, where the top four companies control 78 percent of the market and blocked the revival of America's first black-owned business traded on the New York Stock Exchange, Parks Sausage. Or beauty and hair care: in 1986, a Revlon executive predicted that "the black-owned businesses will disappear. They'll all be sold to white companies." This came true in the early 1990s. In entertainment, BET and the formerly leading black women's magazine Essence were acquired by Viacom and Time Warner, respectively, in the early 2000s. In funeral homes, membership in the National Funeral Directors and Morticians Association, which represents black funeral directors, has declined by 40 percent since 1997.[xxix]

The struggle for civil rights and independent black-owned businesses has been closely intertwined throughout the decades, with W.E.B. Du Bois, Martin Luther King, and Thurgood Marshall among national leaders who echoed Frederick Douglass' words that the fight for justice "not only made him a foe to American slavery, but also to all forms of monopoly."[xxx] But the death of black-owned businesses today has severely limited wealth-building opportunities in American communities.

INNOVATION BLIND SPOTS: LIMITED ACCESS TO ECONOMIC OPPORTUNITY

"Investors are about pattern recognition. I'm a black guy, in central Virginia, solving poor people's problems. When it comes to the patterns of people with money, I'm 0 for 3!"

—Jerry Nemorin, CEO, LendStreet

Entrepreneurship and the ability to successfully launch a new business drive economic opportunity in America. According to the Kauffman Foundation, nearly one hundred percent of net new jobs in the economy are created by new businesses. Yet entrepreneurial activity in the United States has declined over the last 40 years. Since the early 2000s, the downward trend has been rapidly accelerating[xxxi] and, while entrepreneurial activity increased following prior recessions, economic dynamism in the U.S. continued to decline after the Great Recession of 2008.[xxxii] While headlines emphasize the newest wave of 'unicorns' going public, only a small subset of Americans are able to reap the benefits of entrepreneurship or the capital to fund new business growth.

Communities that already have wealth are more able to build it, while residents of many of America's urban neighborhoods cannot. According to the Kauffman Foundation, over 83 percent of entrepreneurs do not access formal financing in the form of bank loans or venture capital investment. Those who do are much more likely to be wealthy, living in one of America's startup hotspots, male, and white.

Research in New York City found that the richest third of neighborhoods had more than twice the rate of self-employment as the poorest third.[xxxiii] Personal wealth is a significant predictor of an individual's entry into self-employment[xxxiv] and higher household net worth of a founder results in larger amounts of external funding received even after accounting for human capital, venture characteristics, and demand for funds.[xxxv]

Of all American venture capital disbursed in the first quarter of 2018, more than 44 percent went only to the North and South Bay Areas of California, while all-female founding teams raised only 2.2 percent of VC funding in 2017 compared to 79 percent directed to all-male teams.[xxxvi] One study even found men were 60 percent more likely to secure funding for a business than women when pitching the same business.[xxxvii] Even as businesses led by entrepreneurs of color have experienced slow growth over the last 10 years, the continuing systemic challenges, including limitations in access to capital, procurement opportunities, and business development, result in black-owned businesses starting smaller and staying smaller.[xxxviii] In fact, according to a recent Kauffman Foundation report, if people of color started and owned businesses at the same rate as white founders, the country would have more than 1 million additional employer businesses and approximately an additional 9.5 million jobs in the economy.[xxxix]

Disparities in capital access suggest that funding flows are "tied to factors unrelated to the quality or potential of the business—such as geography, gender, race, or wealth," which slows the flow of capital to promising entrepreneurs.[xl] While a booming complex in entrepreneurial support for technology firms drives resources to this subset of privileged entrepreneurs in startup hotspots, massive disparities in support ecosystems limit economic opportunity for many Americans, particularly entrepreneurs of color.

Over the last twenty years, conscious of these barriers, a system of intermediaries has been built to support, mentor, advise, and capitalize entrepreneurs of color. Yet the system is highly out of balance. In Philadelphia, where over 43% of residents are black, only 2.5% of businesses are black-owned. One reason for this discrepancy is that Philadelphia, like most cities, has a thick ecosystem for growing, supporting, mentoring and capitalizing the (majority white) innovative technology firms and a thin ecosystem for supporting businesses owned by people of color. The innovation ecosystem is highly networked, well-capitalized, replete with accelerators and incubators, and blended across public, private, and civic resources. The meager system accessible to the 2.5% of entrepreneurs of color is reliant on government and nonprofits, under-capitalized, and thin.

The effects of the unequal ecosystems are manifest in company outcomes. Black-owned businesses start with almost three times less overall capital than new white-owned businesses, a gap that does not close as firms mature, resulting in stunted growth.[xli] Black-owned businesses average $58,000 in revenue, compared to the $546,000 for white-owned businesses.[xlii] Black entrepreneurs are less likely to be approved for small business loans, and even those that do receive smaller loans with higher interest rates. These discrepancies ultimately discourage black entrepreneurs from even applying for loans at all.[xliii] Underlying these trends are radical changes in the banking environment: the number of black-owned banks in the country has fallen from 48 in 2001 to 25 in 2014.[xliv]

These disparities in capital access affect more than simply the founders of the companies; they are likely to reduce minority communities' overall access to the new jobs created by young companies. The race of an entrepreneur is strongly correlated with their hiring practices: one study found that nearly half of non-white founders reported that a majority of their employees were people of color, while only 13% of white founders did so.[xlv] While new business dynamism is vital to shared economic prosperity, far too many American neighborhoods are excluded from entrepreneurship's promise.

TWO POCKET INVESTMENT: BIFURCATION OF ECONOMIC VALUE FROM SOCIAL VALUE

"The social responsibility of business is to increase its profits."

—Milton Friedman, 1970

"Purpose is not the sole pursuit of profits but the animating force for achieving them. Profits are in no way inconsistent with purpose—in fact, profits and purpose are inextricably linked."

—Larry Fink, CEO, BlackRock, the world's largest investor in 2018

Based on Nobel Prize-winning economist Milton Friedman's theory of shareholder value, capital in the United States is frequently bifurcated into "two pockets": one market-facing (or profit-maximizing) and one philanthropic. Two-pocket thinking assumes that the two pockets balance each other—that investments that make money in the "business pocket," if later given to charity, will, at some point, even out. But the scale of assets in the capital markets, relative to the scale of philanthropy, does not necessarily support that idea, and American neighborhoods suffer when negative effects from the profit-making pocket overwhelm the good done by the philanthropic pocket. For instance, programming by foundations has done enormous good in advancing social, environmental, and political justice in the U.S. and abroad. Yet foundations are only required to give five percent of their assets to charitable causes each year. Of each one million dollars in a foundation's bank account, only $50,000 must be deployed as a grant every twelve months. When the investment of the other ninety-five percent is agnostic to a foundation's mission, it can counteract the foundation's goals: if, for example, a foundation supports economic opportunity in distressed areas, endowment investments might invest in a public company that is automating, offshoring, or otherwise eliminating jobs while paying its management incredible sums of money.

The managers of endowments, pension funds, and other asset pools themselves are often not asked to consider whether their asset-maximizing strategies best support, or sometimes hinder, their organization's aspirations.

Fund managers' role as "fiduciaries" requires them to maximize earnings so that the institution has more resources, but bifurcation of investment can make it difficult for the institution to accomplish their broader goals when facing headwinds from the capital markets their investments support.

It is important to have an intentional "one-pocket" conversation about the role that endowments, pensions, and other institutions play in their communities. Two-pocket investors would argue, justifiably, that maximizing investment profitability enables organizations to best resource their mission-aligned work or that fiduciary duty requires them to make as much money as possible. Yet, many retirement plan investment managers may be accelerating the growing divide between the economically stagnating place where their participants live and other economically thriving parts of the United States by redirecting the plan's money away from its employees' communities. According to Pitchbook data, of the thirty-three union pensions based in Michigan, which collectively hold over $97 billion in assets under management, not even one is committed to a fund in Michigan.[xlvi]

This two-pocket approach has also accelerated an alarmingly narrow concentration of economic dynamism in America, driven by the export of wealth to the coasts. Since the Great Recession, only one quarter of counties added business establishments at the same rate as the national economy,[xlvii] and the percent of venture capital investment going to California, the New York City area, and the Boston area has increased in both 2018 and 2019; it is currently at roughly 80 percent.[xlviii] Yet the capital driving these pockets of dynamism comes from wealth created all throughout America. The 25 largest limited partners in California-based VC and PE funds include insurance companies based in Iowa and Alabama and the Utah Retirement System.[xlix] As economic growth in America becomes limited to just a few counties, two-pocket investments of wealth created throughout the country fuels the growing divide.

Taken a step further, the more that wealth concentrates geographically, the less philanthropy is available to address more widespread urban poverty. An investment firm in New York that closes businesses in cities across the Midwest, and then names the opera, library, or art museum in their hometown after themselves, has accelerated the transfer of wealth while at the same time reducing a community's ability to solve its own problems. Even in strictly philanthropic terms, the gain of the Big City Museum of Art is often the loss of the Medium-Sized-Town Community Foundation.

The leaders of community development organizations also sometimes reflect a two-pocket mindset. Community development institutions frequently will ask local investors to invest in concessionary projects, and fiduciaries will justifiably have to pass on the opportunities. It is the responsibility of a new wave of community leaders and intermediaries to make the case that investing locally will not be a concessionary investment. Exporting investment capital from where it has been created to other places limits a community's ability to start new businesses, create new jobs, and ultimately build or maintain local wealth, and both communities and asset holders need to engage in this conversation.

SCALE MISALIGNMENT: MISMATCH BETWEEN LOCAL NEEDS AND A SYSTEM ORIENTED TOWARDS SIZE

The current system's orientation towards large rather than small limits institutions' abilities to make investments that are properly tailored to local challenges. The majority of capital in the United States is directed by institutional investors—80% of the S&P 500's market value and over 70% of each of the 10 largest companies in the United States are held by institutions—yet the community projects that require capital are frequently too small and high-friction to access institutional investment. While local projects may need between $100,000 and $5 million to capitalize a community project, the institutional investors that direct the bulk of capital in the U.S. frequently have much higher minimum investments, often not even considering investments below tens or hundreds of millions of dollars. According to a 2013 World Economic Forum report, it takes the same amount of time to conduct due diligence on a $10 million investment as it does for a $100 million investment. When given a choice, investors are incentivized to invest in the larger deal due to the increasing costs of smaller investment amounts.

This trend towards larger scale is demonstrated in venture capital. In 2017, the number of seed-stage investments in the US declined to a five-year low, even as venture capital hit a 10-year high, suggesting that many seed institutions are growing too large for the early-stage ventures they intend to fund.[l] Institutions like CDFIs were intended to support these early stage ventures, but are themselves too small, too housing-focused and untested in the entrepreneurial space. Without intermediaries that can bridge the divide between small projects and large investment checks, neighborhoods have been unable to access the capital needed to foster local wealth.

This trend has made focused investment—even small pilots and experiments—in small-and-medium sized American communities extremely unlikely. Whereas a major pilot or project in San Francisco or New York can likely find no shortage of investors, community ideas in places like Baton Rouge, LA or Waterloo, IA struggle to attract both local and national capital.

PERCEPTION DISCONNECTS: TRANSLATION GAPS BETWEEN RESIDENTS AND INVESTORS

Amplifying the challenges that urban neighborhoods face, residents, institutions, and investors do not have a shared set of beliefs around how investment in communities should work, nor even a shared set of terms with consistent definitions. After decades of policy and actions that were delivered under the guise of benefitting residents but that have led to displacement, disinvestment, and disenfranchisement—including urban renewal, redevelopment, and the interstate expansion—residents are fearful of change and distrustful of institutions or individuals advocating change. Private capital and development have too frequently harmed, rather than enabled, communities. Much has been promised in the past; little positive has been delivered. Too frequently, residents feel that their voices are not heard, or—when they are heard—not heeded.

The Opportunity Zone conversation in particular has created a significant amount of excitement that new capital is coming into communities, as well as worry that interventions are happening to residents rather than happening with them.

The disconnect between residents and investors occurs on multiple levels. Residents use language of justice for their communities; investors use language of market returns. Residents worry about the risk of how their neighborhoods might change; investors worry about the risk of unreturned capital. Residents tend to discuss outcomes (who will housing serve); investors discuss capital stacks (which entities take what risk). Even the most positive transformations have downsides, and low-wealth families rightly worry about losing agency in shaping their communities as the areas change.

Even well-intentioned investors that operate in America's urban neighborhoods may not fully grasp the depth of rightly-placed fear within communities. While communities advocate for development in their neighborhoods, without a shared set of priorities or language, shared progress remains elusive. Terms like gentrification, development, investment, community engagement, investor-ready, and community-enhancing mean different things between and within groups of residents and investors. When both values-aligned and values-agnostic investors with money and power take on the language of social justice or do not fully consider how their activities will affect residents, residents may struggle to decipher the investors' intentions, and—even when they do—may not be empowered to change the directions of projects.

The end result of all this: residents are on the defensive. They are more likely to fight investments than to leverage potential. Neighborhoods are either bludgeoned by development or excluded from it, and residents suffer.

URBAN NEIGHBORHOODS' POTENTIAL AND PROMISE

Underlying the disinvestment that characterizes so many urban neighborhoods, though, are tremendous assets that can inform community wealth building. Many neighborhoods, even those generally characterized by high poverty, high levels of abandoned or foreclosed property and low business demand, are often located near nodes of growth and have "good bones" (e.g., road networks, street grids, historic properties) that can be leveraged. Each neighborhood has distinctive qualities and characteristics, though many are more similar than they are different.

Central business districts or downtowns, for example, are generally located along waterfronts and house large public and private sector employers as well as entertainment venues, convention centers and amenities like hotels and restaurants geared to tourists, workers, and residents alike. In San Antonio, where much of the downtown census tracts were designated as Opportunity Zones, new development along the riverfront and substantial public investment for UT San Antonio's new campus is catalyzing private sector investment and small business growth.

In anchor districts, generally located in mid-town areas of the city, or areas adjacent to downtowns, universities and other institutions—such as hospitals, other medical facilities and research centers—are the dominant landowners. Often, these districts have extensive cultural histories that can mobilize energy for investment and that continues to attract visitors from outside the neighborhood and city. Kansas City's 18th and Vine district, for instance, is an historic hotspot for jazz and blues music, and today is the epicenter for a whole neighborhood development approach.

Industrial districts are generally located on the periphery of downtowns near road, rail, and water transportation infrastructure, with (depending on the city), old (and recently revalued) production and manufacturing facilities, warehouses and car dealerships. In Kensington, a neighborhood in north Philadelphia, recent investment has transformed old industrial buildings into space for artists, businesses, and manufacturers, with nearby mixed-use properties providing live/work and work/retail opportunities.

Overall, broader economic dynamics are reviving urban economies and placing hundreds, if not thousands, of urban neighborhoods in the path of potential economic growth given their inherited assets. In addition, these neighborhoods have been—and continue to be—the recipients of ample public and civic investment. New economic activity in the neighborhoods will not necessarily build wealth for residents on its own; indeed, strong leadership, intentionality, and attention to the downstream effects of decisions are required perhaps even more today than ever before. But a new system that recognizes both the challenges of urban neighborhoods and their underlying promise provides the potential for real advancement.

THE HISTORY OF COMMUNITY DEVELOPMENT

In the past two generations, policymakers, philanthropists, and other civic leaders have tried to address growing socio-economic problems in the name of community development, primarily through a series of federal laws and programs.

In the 1970s, Congress authorized the Community Development Block Grant to give localities resources to revitalize disadvantaged neighborhoods; during the same decade, Congress enacted the Home Mortgage Disclosure Act and the Community Reinvestment Act to curb and reverse the practice of redlining by commercial banks.

In the 1980s, Congress enacted the Low-Income Housing Tax Credit to entice private holders of capital to invest in affordable housing projects for low-income individuals and families.

In the 1990s, Congress enacted the HOME program to give localities specific resources for low-income housing production and preservation, with emphasis on carrying out these activities with community housing development organizations. During the same decade, Congress also subjected Fannie Mae, Freddie Mac and the Federal Home Loan Banks to affordable housing obligations and provided federal appropriations to community development finance institutions to dedicate additional capital to projects serving disadvantaged people and places.

In the 2000s, Congress enacted the New Market Tax Credits to attract private investment to struggling communities and, separately, provided relief to communities hit hard by the housing foreclosure crisis.

The cumulative impact of these initiatives and interventions has been to create a distinct community development industry in the United States. The Low-Income Housing Tax Credit, alone or in conjunction with other federal efforts, has supported the construction or rehabilitation of about 110,000 affordable rental units each year, about 2 million units in all since its inception. Federal resources have been leveraged many times over with bank debt and concessionary capital. The evolution of national intermediaries, such as the Local Initiative Support Corporation and Enterprise Community Partners, has helped bridge the gap between community advocates and capital allocators. In cities like Baltimore and Cleveland, local philanthropies and anchor institutions have topped up federal resources, enabling saturated investments in particular neighborhoods and local delivery systems. Nevertheless, the big-picture economics in urban neighborhoods are not great. The wealth gap in America continues to grow, while economic dynamism declines.

We see seven separate but related elements of the old system of community development that are not conducive to building community wealth—and that the new system is moving away from:

CHASES ONE-SIZE-FITS ALL PROGRAMS

With a few exceptions, the federal government tends to enact one-size-fits-all solutions that take little account of the variance in conditions across metropolitan areas and provide communities with little flexibility to align federal resources to their own needs and priorities. Innovations in policy and finance tend to occur at the level of society that owns a problem. The top-down mix of direct subsidies, tax incentives, and primary and secondary market policies has almost infantilized American cities and helps explain why US cities have not been more proactive or successful in creating their own bottom up strategies as in Denmark and Germany.

The federally-driven nature of community development funding has other predictable, but often unrecognized, implications. Given the partisan gridlock in the federal government over the past several decades, federal rules and tools are rarely updated to take account of economic restructuring, market dynamics, and innovations in financial practices. To a large extent, these policies tend to be "stuck in time," reflecting the state of knowledge in the period when they were enacted. The Community Reinvestment Act, for example, has not kept pace with the rise of non-depository financial institutions that routinely provide finance for single- and multi-family housing.

LACKS FOCUS ON NEIGHBORHOOD ECONOMIES, FAILING TO COUNTERACT THE HOLLOWING OUT OF COMMERCIAL CORRIDORS

Federal investment in housing has dwarfed investment to address the tsunami of parasitic low-end retail businesses that have overwhelmed low-income neighborhoods, grow businesses owned by residents or people of color, or upgrade low-income residents' skills. These residents also often pay higher prices for basic goods and services since their neighborhoods are dominated by parasitic firms like check cashers and payday lenders rather than mainstream businesses. Payday lenders, which have been shown to trap borrowers in high-cost debt and which today make up a $90 billion industry,[li] are disproportionately located in African-American neighborhoods,[lii] while dollar stores concentrate in neighborhoods with "both a greater percentage of households living in poverty and more African American residents" and small towns "battered by corporate consolidation."[liii] These companies cripple American communities through their business practices and are growing quickly as part of the broader corporate trends towards monopolization that are hollowing out American communities.

BUILDS LOW-INCOME HOUSING IN DISADVANTAGED COMMUNITIES

A focus on low-income rental housing provisions in poor neighborhoods and policies that promote homeownership at the exclusion of other means of building wealth has led to a continued concentration of poor families in relatively small geographies. Scholars like Xav Briggs, Paul Jargowsky, Margery Turner and others have documented the negative effects of concentrated poverty and the benefits of policies designed to give low-income residents greater access to housing in lower poverty neighborhoods. In Chicago, for instance, 1980's era public housing developments were hotbeds of poverty and crime; when the developments closed and dispersed residents throughout a wider portion of the city, concentrations of extreme poverty and net crime at the city-level decreased.[liv] Residents of concentrated low-income neighborhoods face failing schools, unsafe streets, run-down housing, and few local jobs or employment networks. This limited focus on providing rental housing for poor and very poor families has inadvertently maintained segregative housing patterns.

PROMOTES HOME-OWNERSHIP AS PRIMARY POLICY INCENTIVE

For years, policymakers and advocates perceived housing as the prime vehicle for building wealth and community—a paradigm that wasn't challenged before the housing-led Great Recession a decade ago or revised since. Without a diversified approach to wealth building, this focus on housing meant that the recession hit, and continues to hit, low-income communities especially hard. While low-income renters who purchased homes in the 1980's experienced significant wealth gains in the decades that followed, those who did so between 2001 and 2007 had less wealth in 2013 than those who continued to rent. High-income renters, on the other hand, continued to accumulate wealth through homeownership in that period.[lv] One reason for this is that low-income homeowners remain in their houses for shorter periods of time, partially due to the predatory nature of the broader economy around them, including loans with high fees or usurious penalties and the precariousness that can make a medical emergency or job loss mean missing a mortgage payment and defaulting.

Further, with housing as the primary policy vehicle for wealth building, differences in regional dynamism over the last decade have exacerbated the wealth gap between cities. House prices in dynamic cities like Seattle have nearly reached or passed mid-2000s peaks in inflation-adjusted dollars, while real home prices in places like Detroit, Cleveland, and Chicago hadn't recovered to their 2000 pre-peak levels by the end of 2018, limiting homeownership as a means of wealth-building for residents in those cities.[lvi]

FINANCES LARGELY WITH A MIX OF DEBT AND SUBSIDY

For the most part,[lvii] the kind of market- and risk-oriented equity investment that has driven other sectors of the U.S. economy has not been present in community development finance. The current system largely relies on a narrow blend of public, private, and civic capital to finance the production and preservation of affordable housing: primarily public subsidies, conventional bank debt, private equity stimulated by the syndication of Low-Income Housing Tax Credits, and (occasionally) concessionary capital offered by philanthropies and impact investors. Meanwhile, five of the world's six most valuable companies (Apple, Alphabet, Microsoft, Amazon, and Facebook) scaled through venture capital investment. For the most part, the kind of market- and risk-oriented equity investment that has driven other sectors of the U.S. economy has not been present in community development finance. Equity funding, on the other hand, can provide flexible, higher-risk injections of capital that are crucial to generating true wealth. Unfortunately, equity is not invested evenly across American communities.

LACKS ABILITY TO SWIFTLY IDENTIFY AND DISPOSE OF PUBLIC AND NON-PROFIT OWNED LAND

Few American cities understand what the public sector owns and how such ownership could contribute to the general revitalization of their communities. It is not unusual for the largest landlord in disadvantaged neighborhoods to be the public sector and local nonprofits, particularly churches and other religious organizations. Publicly owned land, for example, often constitutes the greatest share of property in a given community—even though much of it might not be in recognizable public buildings like schools or courthouses, but scattered lots and neighborhood buildings.

Most cities have webs of different entities that may own distressed properties: the city itself, a housing authority, a convention center authority, a port or airport authority, a county land bank, a regional redevelopment authority, or a statewide school construction corporation. For example, the Denver metropolitan area has 15 separate entities that construct, fund, and operate public facilities and projects. Each has varying organizational structures, board appointment and qualifications, powers to levy taxes, powers to condemn property, and revenue sources. This fragmentation, limited transparency, and disorganized management among public and non-profit entities prohibit them from determining the value of their existing assets which contributes to ineffective community wealth building. In turn, this feeds into the lack of affordable housing, dearth of living wage jobs, and displacement via rapid gentrification.

UNDERCAPITALIZES SMALL-SCALE PUBLIC AND CIVIC ORGANIZATIONS

The current networks of small, compartmentalized nonprofits expected to shoulder the burden of supporting communities in the face of entrenched inequality and predatory market dynamics rarely have the capacity or capital to deliver solutions at scale. Nonprofits are driven more by the prescriptions and narrow definitions of the federal tool (which rewards higher concentration of low-income housing) than by the holistic needs of the community (economically integrated neighborhoods that can be self-generating).

Two-pocket thinking contributes to this undercapitalization. Public companies that trade in the global capital markets hold $200 trillion in wealth; trillions more are likely privately held. In the philanthropic world, the value of all the charitable foundations in the world combined adds up to less than $1 trillion—with only 5 percent of the capital spent each year; the other 95 percent is invested in the profit-maximizing capital markets. If the "what's good for business" pocket were the size of the Statue of Liberty, the "what's good for society" pocket would be the size of a grasshopper. Further, many community-based organizations who work with communities that have been harmed by the capital markets, and unintentionally may reinforce two-pocket thinking through antagonism to markets. Where one-pocket thinkers view the market as imperfect but powerful, something to be coaxed, improved upon, and harnessed, many nonprofits focus their resourcing efforts exclusively on the smaller "what's good for society" pocket.

Moreover, the community development industry is not uniformly distributed throughout the country but rather concentrated in a few large cities, and largely non-existent in small cities, suburbs, and rural areas. Between 2011 and 2015, about 10% of counties received over $100 in CDFI loans per low-income person each year, while half of all counties saw less than $7 per person.[lviii] Even in cities with robust ecosystems, community-based organizations compete for the same grant dollars and are not incentivized to share back-offices or resources to better achieve their goals. To that end, the industry has been ill equipped to deal with such broader societal trends like the suburbanization of poverty and the growing concentration of economic activity in 20-25 coastal metropolitan areas and a few heartland metropolitan areas.

THE PIONEERS: COMMUNITY DEVELOPMENT PLAYERS AT THE VANGUARD OF COMMUNITY WEALTH

These challenges in community development are not inherent, and they need not be enduring features of community-oriented systems. Indeed, many of the changes in the new system are being pioneered in part by leaders in the old system. Key players in the existing community development system are broadening their scope to go beyond housing and to innovate on business demand and financial practices and instruments.

As described above, Living Cities started as the National Community Development Initiative, a consortium of philanthropies narrowly focused on supporting national housing intermediaries. Most recently, Living Cities has launched a series of funds to invest in intermediaries that are backing entrepreneurs directly in cities. Ben Hecht, Living Cities' CEO, speaks of the importance of applying a racial wealth lens to new investment in American communities. Specifically, in the context of Opportunity Zones, Ben said in early 2019: "This new source of investment could make a difference in addressing the nation's steady decline in the rate of new business startups. But it will only be effective if the fastest-growing segments of our population—people of color—are able to become entrepreneurs at exponentially increasing rates." Living Cities' shift from a capital provider to large development projects to a multidisciplinary intermediary for businesses has been at the vanguard of a larger shift.[lix]

The intermediaries that Living Cities and other government/philanthropy funding sources supports are also evolving. LISC and Enterprise Community Partners, the gold standard in housing development organizations, now have active investment arms, while the most innovative community development finance institutions ("CDFIs") are experimenting with new ways of supporting local entrepreneurs and community-serving institutions like charter schools and child-care providers. Foundations are playing in the impact-investing space and finding new tools to leverage private equity investment.

In the next section, we provide elements of the new, holistic system of community wealth these institutions and the next generation of emerging ones are crafting.

STRATEGIES TOWARDS A NEW SYSTEM OF COMMUNITY WEALTH

We are both diagnosing and proposing a fundamental shift from the system of "community development", which has delivered pockets of promise but has not been sufficient in addressing America's growing wealth disparities, to "community wealth," which is a new framework.

At its most elemental level, the shift is psychological. In the "community development" system, the most active capital providers first and foremost view themselves as deliverers of philanthropy and programs. When community leaders get involved in the flow of capital, it is most often understandably from a scarcity mindset: how do I ensure that rare resources in this neighborhood come to my corner of the community? When private capital gets involved, it often has a "value capture" mindset—how can we make as much money here with as little inefficiency as possible—and is often viewed as extractive by community members (in many cases, rightly so!). The psychology is zero-sum: people with money, power, and resources are not incentivized to build wealth in the community, and people in the community certainly do not see hope of a future where they are wealthy, only an ongoing future where they are passive recipients of charity.

A "community wealth" mindset is one that gives a neighborhood hope and a path towards where more people can become wealthy. If residents in a community increase equity (in multiple senses of the word), they are much more excited to have private capital earn attractive returns as well, as the wealth is not viewed as extractive. The psychological mindset of a community that believes it is growing and on the right track is hard to quantify, but indispensable for a successful community.

We propose a fundamental shift in the approach to revitalizing neighborhoods in the United States. This proposition constitutes a new framework that is interdisciplinary, bottom-up, and horizontally-scaled, which provides a sharp contrast with the traditional practices that are domain-dependent, top-down, and vertically-scaled. This new system of community wealth building is a holistic path to creating equity in four senses of the word:

> ***Growing the individual incomes and assets*** of neighborhood residents by equipping them with marketable skills and enabling full or partial ownership of homes, commercial properties and businesses;
>
> ***Growing the collective assets*** of neighborhood residents by endowing locally-run organizations with the ability to create, capture and deploy value for local priorities and purposes;
>
> ***Improving access*** to private capital that has high standards, fair terms, a long-term commitment to the neighborhood, and reasonable expectations around returns and impact; and
>
> ***Enhancing inclusion*** by bringing fairness and transparency to neighborhood revitalization so that community voices are heard and respected and trust is restored, and local residents have the opportunity to participate in wealth that is created.

We identify seven distinct and complementary strategies to move towards a new system of community wealth. These are discussed in more detail below with examples of emerging models that provide glimpses of this paradigm shift across the country. It is worth noting that some of the examples span multiple strategies. The multi-faceted nature of these examples underscores the interdisciplinary strength of the new system.

Baltimore Avenue, a commercial corridor in West Philadelphia. Photo courtesty of Karen Christine Hibbard.

UNCOVER COMMUNITY ASSETS AND MARKET DYNAMICS

Community wealth building will require cities to articulate their competitive assets and advantages, a prerequisite to attracting generative investment. Communities can build a foundation for community wealth by identifying their strengths, including funding sources, the entrepreneurial ecosystem, investment opportunities, anchor institutions, and grassroots engagement.

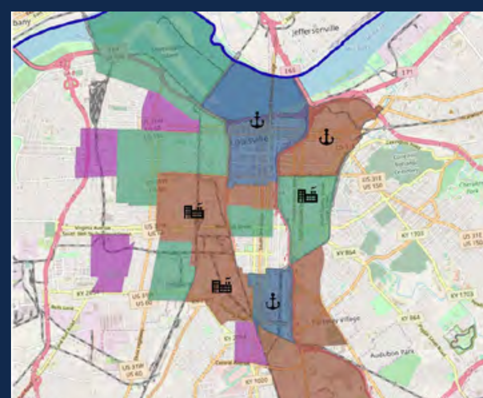
While census tract data might suggest that a neighborhood is fallow, robust data on purchasing patterns and comprehensive public datasets can uncover pockets of economic potential. To date, cities have used big data to make the allocation of public resources—such as policing, code enforcement, fire inspections, and street repair—more efficient and effective. Big data can also be used to make smarter decisions around community wealth building. Advancements in data analytics and geo-spatial mapping, for example, can enable cities and patient investors to identify street corners that are ripe for market rejuvenation. These street corners may be near critical employment centers in a city; they frequently have real estate that could host new, inclusive investment, such as underutilized buildings or vacant lots that are either owned by the government or non-profit actors (e.g., churches, service providers) or that could be purchased at a low basis because it is tax delinquent or in foreclosure.

Such advancements could also be used to categorize the nation's 8,762 separate Opportunity Zones into distinct typologies that are more similar than different. Many Opportunity Zones in different markets share economic and social characteristics, as well as competitive assets (e.g., downtowns, medical districts, industrial districts, low-income residential areas). Once the zones are categorized, mission-oriented investors could lead multi-city investment strategies that focus on financing particular kinds of market activities in these geographic

GLIMPSES OF A NEW PARADIGM:
COMMUNITY READINESS MODEL (2019)

Blueprint Local

The Community Readiness Model develops a "whole neighborhood approach" locally-sourced, street corner-oriented multi-asset investment funds. Instead of following the current model of investment vehicles, which is (1) "blind pool" funds, where community development organizations will raise a large amount of capital upfront, and then search for deals, or (2) "one-off deals," which is raising a large amount of money for a particular project that itself may be successful at delivering an output (e.g. X affordable units of rental housing), the Community Readiness Model (1) investigates the investment case for a multi-asset, interdisciplinary neighborhood investment strategy, and (2) builds a portfolio of, if appropriate, residential and commercial properties and operating businesses that investors can back in a "whole neighborhood" approach. The model helps communities develop a strategic and interdisciplinary investment case through a qualitative and quantitative approach.



GLIMPSES OF A NEW PARADIGM:
OPPORTUNITY ZONE INVESTMENT PROSPECTUS (2018)[LX]

Accelerator for America & New Localism Advisors

The investment prospectus tool was invented to help cities communicate the competitive assets and advantages of their Opportunity Zones. Part city marketing strategy, part economic development analysis, and part private investment memorandum, the prospectus aims to help shape markets in Opportunity Zones where there were none. To date, more than 40 cities have published investment prospectuses or have them in the works—many of which have "gone the last mile" and identified concrete projects that are both investor ready and community enhancing. At its core, the tool is used to organize disparate stakeholders in cities around common purpose.

GLIMPSES OF A NEW PARADIGM:

MARKET VALUE ANALYSIS (2001)[LXIII]

Organization: The Reinvestment Fund

The Reinvestment Fund has created a data-driven tool—the Market Value Analysis (MVA)—to show the variance of market strength across different typologies of city neighborhoods. The MVA particularly unveils the extent to which investors rather than potential owners are making home purchases in particular areas of a city. "The MVA provides stakeholders with a common understanding of market types that allows public, nonprofit, and community organizations to engage in productive dialogue around the creation of a coordinated investment and service-delivery strategy. The MVA also provides a baseline against which community change over time can be measured." To date, TRF has completed over 40 MVAs for city, county and state governments.

typologies (say workforce housing in medical districts or mixed-use projects in low-income communities).

Given the disturbing market trends described earlier in the paper, big data analytics can also be used to track the flow of parasitic capital and activities in communities, prompting a broad array of strategic responses.

ENHANCE LOCAL BUSINESS DEMAND

Anchor institutions—local governments, hospitals, universities, and large corporations—have enormous potential to stimulate local business demand in communities that are bereft of locally owned market activity. Many local governments already have Minority and Women Business Enterprise (MWBE) programs, which require that a portion of a government contract (say the building of a major public library) be set-aside for women- or minority-owned firms. Other anchor institutions can also play a significant role. They can

GLIMPSES OF A NEW PARADIGM:

WEST PHILADELPHIA SKILLS INITIATIVE (2018)

University City District, Philadelphia, PA

In 2011, Philadelphia's University City District established the West Philadelphia Skills Initiative (WPSI) to help resolve a complex challenge: "too many unfilled or high turnover jobs at some of Philadelphia's largest employers and too unemployed West Philadelphians." [lxi] Employers in West Philadelphia partner with WPSI when they need to resolve recruitment, high turnover or performance quality issues. WPSI then creates training cohorts of eligible residents and designs a customized curriculum that responds to specific hiring needs. "As an employer-driven program, [WPSI] exemplifies the benefits of a 'train and place' model rather than the 'train and pray' approach common to many workforce programs."[lxii]

Those who have graduated from this program have gone on to work as laboratory assistants, security guards, safety ambassadors, patient clerks, medical assistants, preschool teachers, and more. Since 2011, the initiative has connected 93% of its graduates to employment and generated $15.4 million in wages for previously unemployed West Philadelphians. More than 785 individuals have gone through its job training, internships, and workshops.

GLIMPSES OF A NEW PARADIGM:

CITY ACCELERATOR INITIATIVE (2017)[LXV]

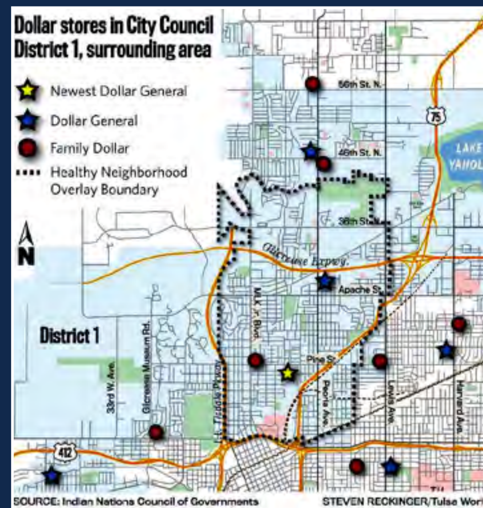
Living Cities and The Citi Foundation

The City Accelerator is a joint initiative of Living Cities and the Citi Foundation to foster municipal innovation in procurement. The initiative selected five cities (Charlotte, Chicago, Los Angeles, Memphis, and Milwaukee) to receive coaching, technical assistance, and a $100,000 grant to apply new strategies that diversify their contracts with municipal vendors and increase their spending to local businesses owned by people of color. This program emphasizes, in particular, eliminating information barriers, increasing municipal staff capacity, and heightening a more transparent, data-driven process.[lxvi]

purchase goods and services at scale from locally owned businesses through targeted procurement and vendor strategies. They can raise local residents' incomes by customizing skills training and jobs placement or retention programs. They can produce startups and scaleups through their incubators, spin-off businesses, and entrepreneurship programming.

Leveraging the hidden potential of street corners and creating more business demand will require anchor institutions to integrate their activities and target their resources. Smaller communities and financially troubled cities may also look to local anchors to serve as a clearinghouse for investors and investments. If anchor institutions were to put a "seal of approval" on an investment after some of their own due diligence, it would likely provide many more comfort to external investors.

Local business demand, of course, can also be created by reducing the size, reach, and excesses of the parasitic economy. Local governments, in particular, possess land use powers that can be deployed to either zone out particular parasitic activities or greatly circumscribe their scale and impact.



GLIMPSES OF A NEW PARADIGM:

HEALTHY NEIGHBORHOODS OVERLAY (2018)[LXIV]

City of Tulsa, OK

Tulsa is being proactive in preventing the parasitic economy through aggressive zoning in its commercial corridors to keep corporate chains out and local entrepreneurs in. Tulsa City Council passed the Healthy Neighborhoods Overlay, which amends the city's zoning laws to restrict the building of small box discount stores (i.e. dollar stores) in the city's underserved communities while providing incentives to promote local small businesses selling healthier food options. It not only avoids over-concentration of small box discount stores in this particular area, it also streamlines grassroots access to fresh produce. Ultimately, this policy encourages a greater diversity of community-based retail and purchasing options for the city.

Other cities, including Birmingham, AL; Mesquite, TX; and Oklahoma City, OK, have also passed similar legislation.

STRENGTHEN NEIGHBORHOOD NODES

The opposite of faraway corporations and entities deciding the fates of communities are vibrant neighborhood nodes that harness a community's assets and build local wealth. Strategically located street corners and commercial corridors can concentrate locally owned small businesses, startup companies, health clinics, community amenities, and housing within walking distance of each other. The "street corner" thesis focuses on creating a dense ecosystem of businesses, properties, and residences—mixed-income, mixed-purpose and mixed-use—at vital intersections or along historic business corridors of a community. There are thousands of street corners that have the potential to be turned on, reanimated and re-energized all across the United States.

As Jane Jacobs observed nearly 60 years ago, the co-location and concentration of economic and social activities has a synergistic effect that naturally comes from the density and diversity of uses. Revitalized street corners offer disinvested communities the opportunity to grow jobs that can be filled by local residents of all ages, creating a virtuous cycle of work and labor market participation. Furthermore, creating a dense ecosystem of businesses and activities can also weed out unscrupulous businesses that prey on low-income residents and undermine not only neighborhood revitalization but also local wealth building.

GLIMPSES OF A NEW PARADIGM:

SHELBY PARK, LOUISVILLE (2014)

Access Ventures

Over the past half-decade, Access Ventures has pioneered the "street corner" approach in Louisville's Shelby Park neighborhood. Over a 2 year period, it invested $4M in 8 residential real estate properties (used a non-traditional workforce of formerly incarcerated, homeless, or individuals struggling with substance abuse, residents are transitioning from renters to owners), 4 commercial properties (used risk capital to transform a nexus of sex trafficking and drugs to a bakery that employs women who formerly worked in sex trafficking with living wage jobs), and 5 growth operating companies (venture capital/private equity).

The multi-pronged approach addressed the isolation that frequently overcomes community investment efforts in distressed neighborhoods, and the density developed through the project spurred market-level change.

Over the last four years, over 200 new jobs have been created for residents. Since 2011, housing vacancy rates have decreased six percentage points. Ultimately, Access Ventures' integrated financing paved the way for fewer vacancies, rejuvenated investments in housing, less crime, and new businesses.

GLIMPSES OF A NEW PARADIGM:

CONNECTED COMMUNITIES (2019)[LXVII]

Streetlight Ventures

Streetlight Ventures curates vibrant retail environments that become the catalyst for neighborhood revitalization. Through extensive research and community stakeholder engagement, Streetlight Ventures develops a vision for a complete mix of complimentary, synergistic retail business that are directly responsive to the needs and desires of the neighborhood. It searches the local area for authentic businesses to bring that vision to life. Streetlight Ventures also provides ongoing support to business owners through finance, operations, and marketing. It bridges the gap between great businesses and underserved communities, helping opportunity zone funds, real estate developers and municipalities create "Connected Communities."

GLIMPSES OF A NEW PARADIGM:

CAPITAL ACCESS LAB (2019)

Ewing M. Kauffman Foundation

The Ewing M. Kauffman Foundation is based in Kansas City, MO and is among the largest private foundations in the U.S., with an estimated asset base of approximately $2B. The Foundation focuses on grantmaking in education and entrepreneurship across the U.S.

In February 2019, the Kauffman Foundation released a report that more than 83% of new businesses in the U.S. did not access formal sources of capital (small business lending and venture capital). The Foundation launched the Capital Access Lab as an initiative to invest in new intermediaries and fund managers who are developing strategies that better fit entrepreneurs in communities across the U.S. This is one example of how foundations can use investment capital to seed new and alternative strategies in the system of Community Wealth.

GLIMPSES OF A NEW PARADIGM:

DETROIT, MICHIGAN (2007)[LXVIII]

New Economy Initiative

NEI is a collaboration of major funders (including the Ford, Kresge, Hudson Webber and Skillman Foundations) in Southeast Michigan that works to develop an inclusive entrepreneurial ecosystem for funders, entrepreneurs, and community advocates. In its effort to study the Southeast Michigan entrepreneurial ecosystem, NEI identified 232 unique entrepreneurship assets operating throughout the region. Since 2007 NEI has awarded 481 grants to organizations, assisted 12,099 companies, and launched 2,725 companies. These companies employed 30,219 people and leveraged more than $1.34B in capital. In 2018 alone, 207 new companies were launched and 2,513 were assisted. 68% of these companies were minority-led, 49% were women-led, and 17% were immigrant-led. Collectively, these companies employed 5,609 people and leveraged $141.1M in capital.

EXPAND BUSINESSES OWNED BY PEOPLE OF COLOR

A central hallmark of a system of community wealth is growing the number, size, and scale of businesses owned by the communities that have been previously systematically excluded from wealth building, with an intentional focus on communities of color. Achieving this goal will require several separate but highly related strategies.

Community wealth requires capital that is fit to purpose. Opportunity Zones have revealed that many black- and brown-owned businesses (and would be businesses) have

GLIMPSES OF A NEW PARADIGM:
GERMANTOWN, PHILADELPHIA (2015)[LXIX]

Jumpstart Germantown

Jumpstart Germantown works to revitalize the Germantown section of Philadelphia, and surrounding communities through training, mentoring, networking, and providing financial resources to local aspiring developers. By offering opportunities for local entrepreneurs, JumpStart can keep wealth local. Jumpstart uses a collaborative approach to real estate development, emphasizing the sharing of resources and information. It also helps first-time investors become more attractive to traditional lenders and provides opportunities to groups traditionally under-represented in real estate development.

There are 240 people per year who graduate from Jumpstart Germantown. Many participants have made major investments in their community, with assistance from the Jumpstart Germantown Loan Program. Jumpstart has already spread to Philadelphia's Kensington, Southwest, West Philly and Hunting Park neighborhoods, with new start-ups planned in the years ahead.

driven creative and quality deals but are seriously under-capitalized. These entrepreneurs are currently seen as un-bankable even though their business propositions are often more sound and less risky than those in favored parts of cities. The potential for growth in this market could be substantial and will require new places to deploy existing or new equity or debt products (e.g., construction lending, lines of credit, etc.) to enable entrepreneurs of color and developers to grow their capacity to meet market demand.

GLIMPSES OF A NEW PARADIGM:
CHICAGO SMALL-TO-MEDIUM BUSINESS ECOSYSTEM BUILDERS

Next Street & Community Reinvestment Fund, USA

With funding from the Chicago Community Trust, The Polk Brothers Foundation, and JPMorgan Chase, Next Street and CRF conducted a small business ecosystem assessment in Chicago. Their research included quantitative and qualitative analysis, as well as engagement with several small business owners and stakeholders. The assessment found that in Chicago, only 2% of establishments are Black-owned and less than 6% are Latinx-owned, when excluding sole proprietors. These low rates of business ownership resulted in a strategic imperative to create Ecosystem Builders. The Ecosystem Builders, Accion and Small Business Majority, convene on an ongoing basis and have set the foundation for sustainable change that will advance ownership and growth for business owners of color and enhance the networks and connectivity within the Chicago small business ecosystem.

Community wealth also requires commercial real estate that can serve the distinctive needs of newly formed businesses owned by people of color. There are thousands of entrepreneurs living in under-resourced communities who need the concentrated support and physical space to realize their potential. New kinds of commercial real estate can reduce the friction and complexity associated with starting a business by providing a common infrastructure for such "make-or-break" cost items like building maintenance, parking and neighborhood branding and marketing.

Communities must finally create thick and textured ecosystems for identifying, nurturing, supporting, mentoring, and capitalizing businesses owned by founds of color. Such ecosystems can be a critical source of social capital so that networks of residents, political leaders, institutions, entrepreneurs, developers, and investors can continuously exchange ideas that drive innovative practices, local business expansion and positive inclusive impact.

In pursuing these strategies, anchor institutions can be key stakeholders in the development of new businesses and should more intentionally promote policies that reduce systemic racism while promoting prosperity and educational opportunities. Moreover, universities, hospitals, and other anchor institutions can serve as guarantors and backstops to entrepreneurs of color to facilitate business ownership and adequate funding.

CREATE ACCESS TO ONE-POCKET CAPITAL

Building community wealth in general, and "street corners" in particular, requires investors to align all of their investment with their values, rather than just their philanthropic giving. For community wealth to overcome the parasitic economy, it will need to mobilize the vast majority of wealth that is currently invested purely for financial returns and without consideration of how the investment affects communities. Community wealth necessitates a fundamental rethinking of investment by a broad class of financial institutions and investors.

GLIMPSES OF A NEW PARADIGM:

OPPORTUNITY FUND GUARANTEE (2019)[LXX]

Kresge Foundation

In March, 2019, the Kresge Foundation committed $22 million to two firms working to raise more than $800-million for impact-certified Opportunity Zones. Boston-based Arctaris Impact and Fort Lauderdale-based Community Capital Management have each received a guarantee from Kresge that provides risk mitigation and first-loss protection to their Opportunity Zone Funds. In exchange for Kresge's risk reduction via the guarantees, Arctaris Impact and Community Capital Management have each agreed to terms centered on transparency, reporting, community involvement and impact.

GLIMPSES OF A NEW PARADIGM:

NEW MARKETS SUPPORT COMPANY (NMSC)[LXXI]

Local Initiatives Support Corporation (LISC)

The New Markets Support Company is a wholly-owned subsidiary of LISC that invests in innovative financing solutions in underinvested communities. LISC understands how each community has its unique assets, so the NMSC customizes their products and services for each community partner. NMSC has invested more than $1 billion in financing health centers, job training facilities, and small businesses. In this way, LISC is one of the pioneers of a traditional community development pillar moving its focus beyond housing and debt.

GLIMPSES OF A NEW PARADIGM:

FUSE FELLOWS IN FRESNO, SAN BERNARDINO, AND RIVERSIDE (CA) AND WICHITA, KS

FUSE Corps and Accelerator for America

Cities have often struggled to develop "one-pocket" strategies due to lack of capacity and competency to participate in the development of financing structures that both attract private capital and create equitable outcomes for cities. FUSE Corps is a national program that aims to place targeted and specific talent in American cities. In partnership with Accelerator for America, FUSE Corps has placed fellows in four American cities to help cities structure, promote, and underwrite deals that blend city incentives, philanthropic capital, and market-rate private capital to accomplish city goals.

FUSE Fellows, clockwise from upper left:

Angeline Johnson
City of Wichita, City Manager's Office

Clair Whitmer
City of Fresno, Office of the Mayor

Stacy Cumberbatch
Riverside County
Economic Development Agency

Gil Keinan
San Bernardino County
Economic Development Agency

An integrated, "one-pocket" capital stack shifts from separated market investment and social philanthropy into focusing on the best investable opportunities. By suggesting that the way individuals invest should reflect their ethics, one-pocket investment marries private and civic capital and channels the vast stores of local wealth back into local communities. One-pocket investing means bringing a holistic and interdisciplinary investment approach to achieving social goals. It requires, for example, a fundamental reassessment of how to invest the 95% of foundations' assets that are now dedicated to maximizing market returns and perpetuating the life of the organization rather than building community wealth.

One-pocket investment doesn't require concessionary investment from each stakeholder, but enables various types of investors to combine their investment tools (e.g. market-rate equity or philanthropic giving) to make community-enhancing projects succeed. A one-pocket investment into a community health hub, for instance, might bring equity from real estate investors, construction debt from a local bank, small-business lending for a local grocery store, federal reimbursement for clinic delivery, and philanthropic grants for arts programming all into a single project, with a shared vision for success and integrated development plans. A commercial bank whose community development investment has previously focused on maintaining compliance with the Community Reinvestment Act ("CRA") through low-risk strategies like mortgage-backed securities might take a forward-leaning approach and invest CRA dollars into compliant workforce housing projects or health and wellness hubs. In doing so, these players can catalyze market-oriented investments in low-income neighborhoods, showing other investors the viability of investment in distressed communities.

Ultimately, a "one-pocket" approach builds wealth for three stakeholders. It must realize attractive returns for investors—otherwise it will be unlikely to attract the private capital sufficient to invest in communities. As one mayor shared, "providing investors a competitive return is a baseline you need to reach to have permission to go forward." But a "one-pocket" investment is structured to also create wealth for community residents, likely using many of the tools discussed elsewhere in this paper. And finally, a one-pocket structure creates wealth for the community itself, through increased tax revenues and higher business success.

GLIMPSES OF A NEW PARADIGM:

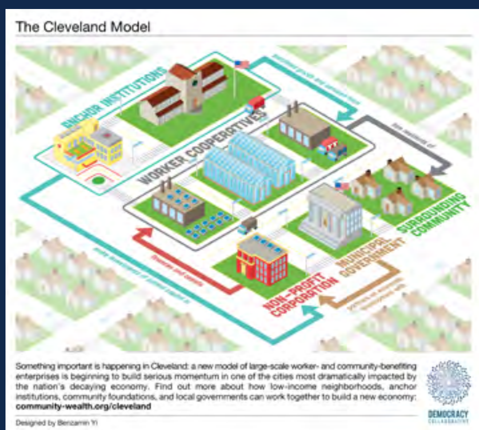
ERIE, PA REVIVAL (2018)

Erie Insurance Company

Erie Insurance is a publicly held insurance company; in 2019, it is ranked 381st among the largest public U.S. companies, in terms of revenue, by Fortune magazine. For the past several years, the Company has made a series of distinct investments to advance one overarching goal: the rejuvenation and transformation of the historic core of Erie. It has expanded its campus bordering the downtown with a $135 million investment; invested patient capital in the Erie Downtown Development Corporation ("EDDC"); and created an Opportunity Fund to help renovate properties acquired by the EDDC. It has done all these things while continuing traditional corporate social responsibility by making philanthropic investments and encouraging its workforce to volunteer in a myriad of socially supportive activities.

SHARE VALUE CREATION

Community wealth building will require creating legal structures, financial mechanisms and governance arrangements that enable renters, workers and entrepreneurs to participate in the value appreciation that naturally occurs when their formerly disinvested communities gain a foothold in the mainstream economy.



GLIMPSES OF A NEW PARADIGM:
CLEVELAND, OHIO (2008)[LXXIII]

Evergreen Cooperative Initiative

Launched by a working group of Cleveland-based institutions, the Evergreen Cooperative Initiative is working to create living-wage jobs in six low-income neighborhoods, with a median household income below $18,500, in an area known as Greater University Circle. Local residents earn an ownership stake as they create thriving businesses, while playing a transformational role in building vibrant neighborhoods. Rather than a trickle-down strategy, it focuses on economic inclusion and building a local economy from the ground up. Rather than offering public subsidy to induce corporations to bring what are often low-wage jobs into the city, the Evergreen strategy calls for catalyzing new businesses, owned by their employees. Rather than concentrate on workforce training for employment opportunities that are largely unavailable to low-skill and low-income workers, the Evergreen Initiative first creates the jobs, and then recruits and trains local residents to fill them.

Three ideas deserve serious consideration.

First, businesses and anchor non-profit tenants in a office-space and retail hubs can be given the option to purchase the building in which they are located. Rent-to-own mechanisms are quite common in the housing realm and can be adapted to commercial real estate.

Second, employees in a local business, particularly one stimulated by business demand initiatives described above, can be given ownership shares in the company or become collective owners through a worker cooperative. The Employee Stock Ownership Plan, for example, has been in practice since the 1970s. According to the National Center for Employee Ownership, 6,669 plans exist, covering 14.4 million people in the United States.

Another intriguing idea is a neighborhood trust, a rough synthesis of community development corporations and community land trusts. As Joseph Margulies wrote in a recent Stanford Social Innovation Review article, the goal of neighborhood trust is to "vest ownership and control [of assets] with the neighborhood, rather than with outsiders, and protect and maintain long-term affordability."[lxxii] Neighborhood trusts create legal structures with permanent purposes that enable community leaders and members to govern local assets like real estate.

GLIMPSES OF A NEW PARADIGM:
KENSINGTON CORRIDOR TRUST (2019)

The Kensington Corridor Trust, a real estate and community development non-profit, is an innovative cross-sector partnership between Impact Services (a non-profit community development corporation), Shift Capital (a social impact real estate B-Corp), IF LAB (an inclusive technical assistance provider), and PIDC (Philadelphia's public-private economic development corporation). This partnership takes a multi-stakeholder, multi-pronged approach to corridor revitalization, combining lessons from like-minded efforts that have proven effective in strengthening corridors. Neighborhood trusts are able to source investable projects and support entrepreneurs on a continuous basis as well as use cooperative financial structures that enable land value appreciation to be captured by the many rather than the few.

SUPPORT NEXT-GENERATION INSTITUTIONS

Building community wealth requires a suite of new and repurposed community institutions that have the capital, capacity, and community standing to deliver on skills building, neighborhood regeneration and entrepreneurship. It demands an evolution from intermediaries that are federal program-driven and domain-dependent to institutions that are locally-driven, interdisciplinary, and that unlock multiple types of capital within one neighborhood.

The new system requires innovative entities that are able to source investable projects and support entrepreneurs on a continuous basis as well as use cooperative financial structures that enable land value appreciation to be captured by the many rather than the few. Many current institutions do not have the capacity or competency to invest equity for the long-term in American communities; existing organizations need to re-tool, and investors and philanthropists need to support new institutions who

GLIMPSES OF A NEW PARADIGM

CINCINNATI CENTER CITY DEVELOPMENT CORPORATION (3CDC)[LXXV]

3CDC is a private, nonprofit real-estate development and finance organization focused on strategically developing Cincinnati's downtown urban core in partnership with the City of Cincinnati and the Cincinnati corporate community. Over the past 15 years, 3CDC has driven a profound physical transformation of a 110-square-block area of Cincinnati's Over-the-Rhine neighborhood. With a total investment of $1.4 billion, 3CDC has restored 166 buildings and 14 acres of civic space and enabled a dramatic increase in quality affordable housing and housing for the homeless.

The corporation has achieved success through an innovative finance model that has organized and imaginatively deployed public, private, and civic capital. The corporation has leveraged substantial patient capital contributions from Cincinnati corporate partners multiple times with conventional bank loans, public funding and additional private, market-oriented investment to complete large-scale redevelopment projects.

GLIMPSES OF A NEW PARADIGM:

SHIFT CAPITAL (2012)[LXXVI]

Shift is a solutions-based impact real estate investment group who takes an integrated approach to developing equitable inclusive communities that thrive. They are a Certified B Corporation® who deploys development strategies in underserved neighborhoods that align patient capital with long-term community success to help catalyze shared prosperity, build wealth for the existing community, and strategically preserve affordability.

In North Kensington, Philadelphia, for example, Shift Capital has purchased former industrial spaces in the community and remade them as outposts for maker firms and creative entrepreneurs. As described previously, they are collaborating with other local organizations to establish the Kensington Corridor Trust to ensure that value appreciation can be captured and deployed by a community, in the service of the community.

To maximize community and financial impact of their investments, they deploy a multidisciplinary approach that combines strategy across asset types—industrial, commercial/mixed-use, residential. They pair this approach with community partnerships and programming in an effort to uplift residents while tackling deep rooted neighborhood challenges.

have the ability to bring projects and businesses from ideation through to raising capital and executing.

Many of these organizations may specialize in one intersection of the new system, for instance, building tools to improve how data and technology are used to develop a neighborhood economy. Others will work across multiple intersections. As the new system of community wealth emerges, it is essential that the newer intermediaries collaborate with the evolutions of longstanding institutions. Many existing community organizations have deep-seated knowledge, ties to the local communities, and have provided several glimpses of the new system. They are invaluable partners to the emerging institutions who play a vital role in routinizing these community wealth-building strategies.

NEXT STEPS FOR STAKEHOLDERS

The system of community wealth is inherently deeply local. No one foundation grant, private CEO commitment, or piece of legislation will build this. It will require coordination and collaboration across thousands of private investors, mayors, entrepreneurs, nonprofit leaders, and foundations to turn into a routine and scale.

At the same time, the challenges of Dayton, OH; Louisville, KY; San Antonio, TX; Waterloo, IA; and Chicago, IL are more similar than different. The new system will serve all these communities better if loosely correlated actions are coordinated with and learn from each other, rather than from a singular focus on enacting and implementing federal policy.

The scaling of community development was driven by vertical imposition, with the federal government acting as the primary driver, definer, and decider. The community wealth system, by contrast, will be scaled via horizontal adoption and adaptation, with governments, investors, financial institutions, entrepreneurs, developers, philanthropies, community groups and others all playing significant and reinforcing roles.

A few cities, investors, nonprofits, and entrepreneurs will be first movers, innovating in ways that show measurable outcomes and burnish their position. These innovations will be captured and codified and then adapted by other cities or practitioners, which will be fast followers. Ultimately, exceptional innovations will become the norm, seamlessly adapted by dozens of cities and hundreds of practitioners across the country. The scaling of community wealth, therefore, mirrors the evolution of cities more broadly.

To move the hundreds of billions of dollars in capital that need to be invested in American communities, this system needs to be routine. The large pools of capital will only leave alpha coastal cities if they can see routine standardization, products, and asset classes that look attractive. To this end, the system of community wealth reflects how markets get made, largely built through seasoned data, routinized analytics and common deal structures and capital stacks rather than public policy and investments.

Codification of norms and models are the key to the spread of market innovations, adapting, of course, for market condition and local variation. The reliance on market mechanisms places substantial emphasis on information systems rather than policy development, advocacy and coalition building.

The federal government, as described below, still matters—a lot. But it is one among many actors and its actions need to be reverse engineered by concrete practice innovation rather than abstract policy ruminations.

Community Wealth thus implicates a broad array of stakeholders who have the capacity, capital and agency to move from paradigm to action and outcome.

Researchers: Although the United States benefits from a common market and ample data that is uniformly available, additional data work is critically needed around key elements of community wealth building. We particularly need common metrics around the size, scale and sector of businesses owned by people of color so that we can easily compare the performance of different cities and assess distinct business- and entrepreneurship-oriented initiatives. This must be the task of researchers, in governments, universities, think tanks, financial institutions and community organizations. The Nowak Metro Finance Lab, Accelerator for America and the Economic Equity Network hope to launch an initiative along these lines later this year.

Community Development institutions: Community development corporations, community development finance institutions, Community Reinvestment Act bank divisions, and national housing intermediaries are critical to the creation of the community wealth system. As described above, many organizations are already moving beyond the circumscribed box of being the delivery system for the federal government's programs. They are pioneering new concepts for driving responsible market investment in low-income communities (e.g., "street corner" colocation and concentration of businesses) and experimenting with new "capital stacks" of debt, subsidy and equity to finance workforce housing, commercial real estate nodes, small businesses and other socially critical investments. The leaders—and funders—of these community development institutions need to be critically focused on (1) how are we creating wealth for community residents, and (2) how are we growing wealth in our target communities? We recommend that a consortium of major community development intermediaries and funders—LISC, Enterprise Community Partners, major CDFIs, large banks—distill action steps to accelerate the transition from community development to community wealth.

A broad array of neighborhood intermediaries: Skills providers, co-working spaces, entrepreneurial support centers, local incubators and accelerators are often outliers in the community development system. They are, by contrast, essential components of a community wealth system. Enhancing the capacity of these organizations and simplifying the financing of their activities and products are key areas of focus for the new system. These organizations need to develop—and in many cases, are already developing—routines and practices. Co-working spaces, food halls, and accelerators are growing in cities and towns across the country and are developing their own networks to share best practices. The Nowak Metro Finance Lab, Accelerator for America, and the Economic

Equity Network plan to convene a group of best-in-class practitioners and their respective networks early next year.

A new class of investors: Market investors looking for traditional market returns, impact investors looking for double- or triple-bottom line impact and local capital holders (e.g., high net-worth families, family offices, pension funds) looking to invest locally rather than export their wealth are now essential parts of the capital stack driving transactions that build community wealth. The Opportunity Zone tax incentive is rapidly becoming a vehicle for identifying and codifying new capital stacks for community wealth-building projects that blend debt, subsidy, concessionary capital and equity. A new breed of investors are building platforms and strategies in the wake of Opportunity Zones, and groups ranging from the Economic Innovation Group to Blueprint Local to The Governance Project, to existing CDFIs like LISC all have strategies and routines worth following.

Anchor institutions: Corporations, universities and hospitals are also part of the community wealth system. They often have assets — investment capital, spending power, available land, employment opportunities, talented faculty, students and alumni, relevant research — that can help catalyze inclusive growth and development. We recommend a cutting-edge demonstration: a group of anchors in one city that design, finance, and deliver a commitment to Community Wealth using all their powers and resources. Anchor employers and institutions in major American cities ought to think through how to invest from their 95% of assets-not a small amount of community grant funding or sponsorship—in the communities that they anchor.

Philanthropies: Foundations have special roles to play in supporting and building the next system of Community Wealth, both through their traditional grantmaking and, importantly, through directing their vast endowments. They often possess the community legitimacy necessary to convene disparate urban stakeholders around hard challenges and intriguing possibilities, like the new Opportunity Zones tax incentive. They have the discretionary capital necessary to make investments in community development enterprises and other local institutions so these organizations can leverage other private and public capital. They have the patient, risk-tolerant capital necessary to invest in funds or individual transactions. They have the respect for evidence-driven decision making that is conducive to catalyze, capture, codify and communicate new norms and models as they emerge. Yet often the vast majority of foundation assets can either indirectly or directly work against foundations' aims. We challenge national, regional and local foundations to embrace and further the Community Wealth paradigm and, in particular, accelerate the shift towards one-pocket investing through balance-sheet investments into their communities and, where applicable, through expanded PRIs and MRIs.

The federal government is an essential, if complicated, partner. The economic and community development powers and resources of the federal government cut across multiple agencies and entails disparate forms of investment, subsidy and oversight. The Department of Treasury oversees a broad array of tax incentives and credits. Various agencies (e.g., HUD, USDA, the Economic Development Administration) carry out appropriations-driven programs that build local capacity and enable investment in affordable housing, entrepreneurship, place making and other related activities. Other agencies (e.g., FHA, SBA) provide part of the capital stack for affordable housing, small businesses, and anchor institutions. Still other agencies (e.g., DOD, DOE, HHS) invest in basic science and applied research at advanced research institutions and federal facilities that often leads to commercialization and business formation and that helps form the distinctive innovation ecosystems of different cities and metropolitan areas. Various regulatory agencies (e.g., OCC, OTS, SEC) oversee compliance with securities laws, the Community Reinvestment Act, and other federal laws that address a wide variety of debt lending and equity investment.

The federal government also supports community wealth building in other essential ways, namely via the social safety net of Medicare and Medicaid, tax credits like the EITC, and means-tested programs like WIC and SNAP. Beyond their important direct health value, these programs also improve individuals and family's ability to create community wealth-building economies in their neighborhoods by supplementing their incomes to increase their purchasing power. For instance, through SNAP supplements, families who otherwise might shop at a dollar store can buy healthy food from a local grocery store and keep more of their community's wealth local.

The federal government can be a major catalyst for system building. It has the statistical data to accelerate the routinization of markets and should require key actors to disclose information where necessary. (For example, it should enact a Local Anchor Disclosure Act to require pensions, universities, philanthropies and corporations to make transparent the extent to which their market investments serve the communities in which they are located. It has the means to identify innovations and codify and communicate them, speeding the process by which innovations are spread and scaled. It can police or regulate the parasitic economy, crowd out bad actors, and create a space for small businesses, particularly those that serve local neighborhood needs and that are locally owned.

The challenge is several-fold. The federal government lacks a clear, unified vision for community wealth building. It has a serious coordination problem, given the fragmentation of bureaucracies and the persistent existence of legacy programs. It has often failed to enforce regulations and administrative guidelines that are already on the books. And it is a shell of its former self and will take years to rebuild to be a trusted, capable partner. But the potential for smart, strategic action that undergirds and aligns with the new bottom-up reality of problem solving is substantial and needs to be explored in new and novel ways.

Local governments: While the challenges of the federal government are multifold, local governments have the opportunity to take much more control of their economic destiny. Municipal administrations have multiple roles to play, far beyond the narrow role of implementing the federal Community Development Block Grant program. Local government investments in infrastructure, schools, and services all contribute to community wealth. Their zoning and procurement decisions—as well as requirements imposed on corporations, developers, stadium owners or others who receive government largesse—could be a direct part of community wealth building. Perhaps most significantly, local governments are critical partners in community wealth transactions. They often make community enhancing deals pencil out by selling or leasing government-owned land and buildings at reduced prices. Local governments are often the largest landlord in distressed neighborhoods though one or more entities (e.g., the city or county government itself, a housing authority, a convention center authority, a county land bank, a redevelopment authority). They also put local resources in transactions, whether through taxes abated or special housing funds or tax increment financing. The Nowak Metro Finance Lab, Accelerator for America and Blueprint Local hope to work with a few select cities to create a City Roadmap for Community Wealth. Organizations such as FUSE Corps can also add capacity to cities to understand how to develop, underwrite, and promote Community Wealth strategies.

One major challenge: few American cities understand what the public sector owns and how such ownership could contribute to the general revitalization of their communities. A strategy for building community wealth must create transparency among public entities to determine what the value of all public assets actually is to the public, not just to whichever government entity happens to own them. In other words, each city should understand what it owns, who owns it, and who has an interest in it across each level and type of government. Creating a master property database across all U.S. cities—and complementing this with a database that unveils the asset holdings of nonprofit organizations, including churches—is one of the most significant and impactful information projects facing the country, and an ideal candidate for major philanthropic and government support.

CONCLUSION

At the outset of this paper, we made an ambitious claim: If codified and routinized, a new community wealth system has the potential to bring hundreds of billions of market and civic capital off the sidelines and sparks transformative outcomes for disadvantaged communities across the country. We fundamentally believe this goal is achievable if a broad cross-set of public, private, and community actors come together and invent, codify, routinize and scale new norms and models.

Collectively, we have the power and resources to develop new ways of restoring neighborhood economies through vibrant and vital street corners and commercial corridors.

Collectively, we have the power and resources to create new mechanisms to ensure that the value created by neighborhood regeneration can be captured and deployed by new community intermediaries and redound to the benefit of local residents and businesses.

Collectively, we have the power and resources to create new institutions or intermediaries that can help cities design, finance and deliver transformative investments and initiatives.

We are smart enough, rich enough, connected enough and committed enough to do all these things, and more.

The only question: will we?

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